

DECENTRALISATION

FROM ABOVE

PANCHAYATI RAJ IN THE 1990s

VINOD VYASULU

Community Health Cell

Library and Information Centre

359, "Srinivasa Nilaya"

Jakkasandra 1st Main,

1st Block, Koramangala,

BANGALORE - 560 034.

Ph : 2553 15 18 / 2552 5372

e-mail : chc@sochara.org

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VINOD VYASULU

Centre for Budget and Policy Studies
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TABLE OF CONTENTS

1. Introduction
2. Pencil and Ink
3. Pencil and Ink
4. Pencil and Ink
5. Pencil and Ink
6. In the Water
7. By Way of Conclusion

“For first you write a sentence,
And then you chop it small;
Then mix the bits, and sort them out
Just as they chance to fall:
The order of the phrases makes
No difference at all.

“Then, if you’d be impressive,
Remember what I say,
That abstract qualities begin
With capitals always:
The True, the Good, the Beautiful
Those are the things that pay.

“Next, when you are describing
A shape, a sound, or tint;
Don’t state the matter plainly,
But put it in a hint;
And learn to look at all things
With a sort of mental squint”.

Lewis Carroll

TABLE OF CONTENTS

1. Introduction	1
2. Rural and other Development Projects- The question of Institutions	8
3. Panchayats : Voluntary Agencies or Local Government	26
4. Panchayati Raj in Karnataka - Some Issues for Discussion	44
5. Panchayat Finances	60
6. In the Wonderland of Primary Education	76
7. By Way of Conclusion	94

1. INTRODUCTION

His heart stood still, aghast with fear,

A wordless voice, nor far nor near,

He seemed to hear and not to hear.

"Tears kindle not the doubtful spark.

If so, why not? Of this remark

The bearings are profoundly dark".

"Her speech", he said, "hath caused this pain.

Easier I count it to explain

The jargon of the howling main,

"Or stretched beside some babbling brook,

To con, with inexpressive look,

An unintelligible book.

Lewis Carrol

1.

The 1990s saw major changes in India's economic policy. There were changes in objectives, and in ways to reach those objectives. This began with a major economic crisis - a crisis that did not come as a surprise to many economists. The way in which this country was functioning economically had become unviable; changes were needed, and inevitable. Yet, what has happened in 1991 came with something of a shock. Perhaps this was because it was preceded by accelerating growth in the 1980s, and by major political upheavals.

The major issues before the public then were non-economic ones. These were questions like reservations - the Mandal agitation, and communalism, with the BJP becoming strident in its demands to build a Ram temple in Ayodhya. The populist movement to waive farm loans, led by political leaders like Devi Lal, came to fruition under the Janata Dal government led by V.P. Singh. This legal waiving of loans, as contrasted to a rescheduling or renegotiation of loans, undermined the very basis on which banks work. It led to problems of confidence and credibility loss in India's financial sector, and to a downgrading of the nation's credit rating. This itself increased costs of finance; and the first to show their fears were non resident Indians who withdrew about 6,000 crores of rupees from FCNR accounts in a matter of weeks in 1991.

There was also the problem caused by the Iraq war following Iraq's occupation of Kuwait. India somehow found it was an odd man out in the political developments that followed, and this did not help restore confidence in any way. As a country dependent on import of oil from Iraq, we suffered major disruptions in the economy. The balance of payments went out of control. Chandrasekhar, as Prime Minister, had to pledge the gold reserves of the Reserve Bank of India - and actually move the gold to London - in return for immediate short terms loans. The public did get a shock. It had been led down by its leaders - a sad fact that seems to dog the polity even today.

This was the background to the assumption of office by the Congress government led by P.V. Narasimha Rao in 1991. Manmohan Singh, rather than a senior politician, was brought in as finance minister. His views were well known - he had spoken of them in his Convocation Address in april 1991 at the Indian institute of Management in Bangalore. An economic crisis had to be dealt with.

And the direction in which the government moved was unexpected. Apart from the IMF Stabilisation package, there was the simultaneous acceptance of the Structural Adjustment Programme¹ "to put the economy on a high growth path". This has been the subject of at least a dozen major books in recent years. The unfortunate fact is, that almost 10 years from the date of this crisis, the basic weaknesses of the economy remain. If the fiscal deficit was identified then as the key indicator of this weakness, it must be noted that even now it remains at distressingly high levels. The revenue deficit, which I would consider a better indicator of governmental irresponsibility in India, is even higher today. But the mood has changed - and that is what these reforms have been about.

Interestingly enough, what I consider to be the most important of the changes that took place, was not even part of the original reform package. It simply happened at the same time. And this was the creation of the panchayats as a system of local self government².

This change, though not a stated and defined part of the SAP, was nevertheless, very formal and important. It was brought about by means of two constitutional amendments - the 73rd, which relates to rural areas, and the 74th, which applies to urban areas. In effect, a third tier of government - self government at the local level - was formally put in place. As a result, changes in the economic management

of polices became necessary. This was also necessitated by the new economic policies of the government - the government had to put its finances in order, and one way of doing so was to reduce its stake and role in the economy.

The model of planning followed by India gave the Union government an important role in the running of the economy. It was the stated objective of the government to take over “the commanding heights of the economy”. This it tried to do in a number of ways - by setting up new industrial enterprises in the public sector; by licensing and controls on the private sector; by nationalisations, as in banking; and by gradually increasing the control it exercised over the states in a number of ways - for example through the system of plan transfers through the Planning Commission, and the increasing importance of centrally sponsored schemes in all major sectors of the economy. For all practical purposes, the Union government became “the state”.

This led over time to a number of inefficiencies, to say the least. While the objectives were laudable, the desired results were not forthcoming. Poverty remained at stubbornly high levels. Illiteracy refused to be wiped out. Health indicators remained dismal - except in Kerala. The optimality that the economist hoped for — the results promised by the Fundamental Theorem of Welfare Economics - eluded the country. Instead, we had projects with time and cost overruns of well over 100%. And there was no longer money to pay all the subsidies promised, to bail out each and every sector of the economy that had become so accustomed to governmental support. If we could not achieve our objectives in this way, there was at least no need to pay the high price that the system was extracting. Some other way had to be found.

Economic theory teaches us that, if the optimal situation is unattainable, then the second-best has to be carefully chosen through a specific scrutiny of each and every other alternative³. But here there were not too many alternatives in the short term. The model represented by the Soviet Union had just collapsed. We had our reservations about the capitalist market led model of the West. We had chartered our own course by following a “mixed economy” model in which we had both market and planning. But the criticism was that we were not achieving the kind of growth the either of these groups of countries had achieved. We had to break out of this strait-jacket; and it had to be within defined parameters. That is, if the problem was seen politically.

And this is a political process. The government opted for a decentralised system of governance in which “the state” is unbundled - but the thinking behind all this was not very clear. It was not easy to get this change accepted. The Rajiv Gandhi government actually moved constitutional amendments to bring in decentralisation, but could not get them through the Rajya Sabha. In Karnataka, an existing and working system of panchayati raj was destroyed by the Congress Party just as the same party was moving constitutional amendments to that effect in Delhi. There are many vested interests that do not like, and will fight against, decentralisation.

In this model, from being a monolithic entity like the Union government, the State becomes a vector, a set of entities with specific local responsibilities. This is the panchayati raj ushered in by the two constitutional amendments. Theoretical

justification for this line of action can be found in the theories of public choice, in the writings of scholars like James Buchanan, Mancur Olsen, Antony Downs, Gordon Tullock and others. With Buchanan having won the Nobel Prize in economics in 1986, this was even respectable!

The new economic policy had to bring about changes, not because the government wanted to, but because it could no longer afford to run the system in the same old way. Thus, the Union, facing a fiscal crisis, suddenly discovered the responsibility of the states for things like education and health. It suddenly remembered the dynamism of the private sector. It removed some of the bureaucratic controls - liberalisation - that had begun to choke the economy. Decentralisation was another major tool in this process.

2.

The essays that follow deal with some of the economic and managerial dimensions of these changes. These essays were written while my colleagues and I were working on an action research programme on the devolution of finances to local bodies. It draws largely on experience in one state, Karnataka. As work went on, many questions arose, and these essays reflect my attempts to grapple with them as they arose. It is by no means comprehensive - for example, we have not looked at decentralisation in the urban sector. There are other gaps as well that need to be addressed.

In the academic world, the normal mode of discussion and debate is the professional conference. And this is a subject that has been studied and debated intensely in recent times. I was fortunate to take part in many such conferences. And the opportunity to clarify my thinking was valuable - I am indebted to all those who participated in these workshops. These essays were presented to different audiences in the last few years. Thus, the issues addressed were naturally related to current concerns. For example:

* Would panchayati raj help in the better management of development projects? Why? How? And so on. This is discussed in the first essay that looks at institutions meant to manage rural development projects. This was written for presentation at the Foundation Day Seminar [November 3-4, 1997] of the National Institute of Rural Development in Hyderabad. An earlier version was presented at a seminar at the Max Mueller Bhawan, Bangalore, on "Utilization of Aid for Local Development" in September 22-24, 1997.

* Were panchayati raj institutions similar to, or different from, the many agencies in the voluntary sector that were already working in the field? A scholar like Professor V.M. Rao took the position that panchayats belong, along with self help groups and the like, to the "people's sector". This, I find is not consistent with either the model of change premised on management that the government adopted, or in terms of constitutional and legal conventions. I therefore sought to clarify these issues, in a seminar on October 3, 1998 at the Centre for the Study of Culture and Society in Bangalore.

* How do panchayats got funds? In what ways were financial arrangements more efficient with the introduction of panchayats? This is a question that has been raised in discussions that the World Bank as having with the Government of India. Two workshops were organised, Hyderabad and New Delhi where a number of research papers were presented. I presented our point of view to the participants in these two workshops and a useful debate followed.

This paper was later revised for presentation at a Seminar at the Indian Institute of Advanced Studies, Shimla, where the Director, Professor Mrinal Miri, invited me to make a presentation. Although the paper was written up and sent to the IAS, I fell ill, and could not make the presentation on August 3, 1998. It is thus now presented without the benefit of comments I would have got in Shimla. This work is being followed up and I hope the results will be presented to a larger audience later on.

* What has been the record of panchayats in improving the situation in the social sector - say in primary education? This is an area where Madhya Pradesh, through the Rajiv Gandhi Siksha Mission, had made great efforts. I saw the work in two backward districts, and was astonished at the progress being made, which I attributed, among other things, to the activation of the panchayati raj system in the state. This paper was submitted to the MP Mission in August 1998, and has been discussed extensively with many. I am grateful to the authorities of the MP RGPSM for permitting me to reprint it in this volume.

* One of the most important dimensions of the functioning of local bodies is finances. Though these bodies have been empowered by the states—in different ways - to levy taxes, this power is hardly used. What then is the financial structure in which these bodies work? This was a question that the UNDP wanted addressed as a background to their own work in this area. The result was the paper written in May 1999 on panchayat finances, which is the last paper in this volume. I am grateful to UNDP for permitting me to reprint it here.

* Gender issues are very important in this process of decentralisation from above. Reservations for women—one-third of all seats - have been implemented. One-third of all leadership positions too have been reserved for women. This perhaps has been the most important change brought in by these amendments. This is a aspect to be studied carefully. Poormina Vyasulu and I did indeed look into this issue. The paper - Women in Panchayati Raj: Grassroots Democracy in India - written at the request of the UNDP for presentation at an International Conference in New Delhi in April 1999 - has been published, and hence is not included in this volume.

In bringing together papers that were written at different times for different purposes it is that there will be overlapping of issues and repetition of arguments. I am afraid that is the case here. Rewriting would have meant taking time off from other tasks - a luxury that a consultant often cannot afford. I have discussed this matter with friends who feel that the papers can stand on their own. These issues are important. The discerning reader can skip portions - and that is the compromise I have chosen to live with. I seek the reader's indulgence in this matter.

An effort has been made in these essays to answer such questions on the basis of our own experience in the past few years. The overall approach has been, should I say, panchayat friendly. I belong to the school that considers local self government a desirable thing. I believe that things should be done at the lowest possible level. In India, things were so centralised that everything was referred to remote bureaucracies in the state and national capitals. This is one reason - not the only one - why there was inefficiency and delay in implementing our projects — be they in education, health, drinking water, or something else. But it is also clear the decentralisation alone is no panacea for all our ills. Decentralisation may well be neutral so far as corruption is concerned. It is also clear that not everything can be decentralised. Thus, there is a need for a balance. Perhaps it would be correct to say my position is one which argues that at present, we need to tilt the balance in favour of decentralisation, in comparison to the currently existing way of doing things.

The experience with panchayati raj is recent, and we are learning as we go along. These papers represent mid points of a journey that is far from over. By presenting these papers to a wider audience, I hope the ensuing debate will clarify matters, and help in making this system of self government work better.

3.

These papers were written around consultancy assignments taken up in recent years. In working on these issues, I have drawn upon the work of friends and colleagues in the TIDE Development Research Foundation, with which I have been associated for five years. As this work grew, and we gained experience and insights, the need for work on a sustained basis became very clear. TIDE has clear goals and priorities. It was felt that such work needs focus and direction. As a result, the Centre for Budget and Policy Studies was spun off to take on this responsibility. The work collected in this volume now becomes an input and a base for the work of CBPS.

This work would not have been possible without the support of many friends colleagues and organisations. I am grateful to the participants of the various seminars at which these views were presented for their helpful comments.

Many individuals have helped in this thinking process over the years. To mention some, in no particular order, K.S. Krishnaswamy, T.R. Satish Chandran, L.C. Jain, R. Sudarshan, Mark Robinson, Pankaj Agrawala, Girish Chaturvedi, Terry George, Shobha Raghuram, A Indira, Maya Sitaram, Sanjay Kaul, Abdul Aziz, N. Sivanna, Anand Inbanathan, V. Vijayalakshmi, B.K. Chandrashekar, R. Gopalakrishnan, Ameeta Sharma, M Prahladachar, Anita Kaul, N.C.B. Nath, Elena Borsatti, V.M. Rao, Renuka Vishwanathan, Sashi Kumar, Sandhya Rao, Vijay Padaki, Sandeep Dikshit, Suraj Kumar, Kiran Kumar, D.K. Subramanian, R. Thyagarajan, S. Rajagopalan, Svati Bhogle, B.P. Vani, Veerashekarappa, S. Sadananda, and Poornima

Vyasulu, played a large part in my learning process. I would like to acknowledge my debt to them all without in any way implying that they agree with me, or share in my misguided notions. It is debate of this sort that has helped me grow, and I hope that this is an experience many others will share as the debate on panchayats intensifies.

Comments and feedback will be welcome. They should be sent to:

Centre for Budget and Policy Studies,

S.V. Complex, 1st Floor,
55, K.R. Road,
Basavanagudi,
Bangalore - 560 004.
India.

Phone : ++91 - 80 - 6671756;

Fax : ++91 - 80 - 661 8401

E-mail : cbps@123india.com

¹ Discussed in Shobha Raghuram, Heiko Sievers and Vinod Vyasulu,[Eds]: Structural Adjustment: Economy, Environment, Social Concerns, Macmillan, New Delhi, 1995.

² See Vinod Vyasulu, Crisis and Response: An Assessment of Economic Reforms, Madhyam Books, New Delhi, 1996.

³ R.G. Lipsey and R Lancaster, "The Theory of the Second Best", Review of Economic Studies, 1962.

⁴ Economic and Political Weekly, December 31, 1999.

2.

RURAL AND OTHER DEVELOPMENT PROJECTS

The Question Of Institutions

When on the sandy shore I sit,
Beside the salt sea-wave,
And falling into a weeping fit
Because I dare not shave ---
A little whisper at my ear
Enquires the reason for my fear.

Lewis Carroll.

Introduction

Extensive discussions are now taking place about a renewed thrust on poverty alleviation programmes. It is now accepted that the levels of poverty, even if understood narrowly as income poverty, are far too high in the country¹. A direct attack on poverty is thus a policy imperative. Within the context of the new economic policy adopted from 1991, how best can poverty be alleviated? Will it be by giving free rein to market forces and letting private initiative grab opportunities²? Or will it be by investing – encouraging private investment - in infrastructure³? Or does it require a focus on the so far neglected social sectors, like education and health⁴? Apart from issues of priority, there is a question of the ethical base of government policy. Hard decisions are needed.

In all this discussion and debate, an important element is conspicuous by its absence⁵. This is the very important question of the appropriate institutions for implementing these programmes⁶. **By institution, I mean a behavioural code, a system or mechanism by which decisions are converted into desired results**⁷. This is in contrast to a situation in which (even organisational) success depends upon an individual's personal contacts⁸. This issue becomes obvious on even a cursory scrutiny of several projects that are currently pending for funding approval with the government across a range of sectors – from education to health, from water supply to sanitation, from irrigation to watersheds.

And given the fiscal crisis in both the Union and State governments⁹ in India, most of these projects are being put to bilateral and multilateral donors¹⁰ for funding¹¹. It is unfortunate but true that we in this country do not seem to be in a position to finance our own developmental schemes in the coming years¹². It must be noted, though, that, however a project is funded, it is not likely to achieve its goals if it is not serviced by an appropriate institution. In that sense, this is a fundamental issue. It is not one linked to externally financed projects only. **This paper is concerned with this fundamental issue.**

The paper is organised as follows. In the next section I discuss a rural [or other] development project that is typical of the kinds of projects being formulated today. **The project claims that it looks at implementation in a new way**. I examine the institutional context of this project. I then move, in the next section, to a discussion of experience of three earlier case studies that used a similar method of implementation. The point is that, for some reason, we do not seem to have learned from this available experience. This is followed by a discussion of what I believe is needed today. The paper ends with a brief conclusion.

A Typical Project

I have been looking at several such projects in recent years. But the relevance of this issue came home to me with force recently in a discussion with some very distinguished consultants, who claimed that some very new things were now being proposed. They had designed a very large Poverty Alleviation Programme for an international donor. This project had a lot to say on this subject, and it is this that has set off this train of thought. To me, it seemed to be fairly typical of the kind of projects that different government departments and donors are drawing up. In that sense, I can peg my arguments on this project, for what is true here may be expected to apply to other similar projects as well – and there are many of them. The comments may thus have wider relevance.

I hope to extend this debate to include matters that unfortunately seem to slip out somehow from general consideration when we talk of these issues. This paper is not a critique of any one project, but a comment on the kind of projects that we are formulating. My concern is with an important facet of development strategy. I hope to focus on that larger question. This does not mean other aspects are not important: it is just that I concentrate on this aspect in this paper.

The donors concerned had, in a farsighted manner, taken a year over on the formulation of this project. They were in no hurry. They were conscious of the record of failure - or rather, the inadequacies - of the past. Donors are under mounting pressure to efficiently use increasingly scarce aid funds¹³. The donor naturally wanted to make sure it had done enough homework before launching the project. Such meticulous preparation is to be appreciated.

A Project Design Team of experts was contracted to draw up the project. The main aim was Poverty Alleviation. The Team consisted of three experts. One was a senior bureaucrat [on leave from the Indian Administrative Service]. He had many years of experience of implementing rural development projects. The second was a technical officer with years of experience in working in departments funded by the same donor for the same state government. The third was an experienced person from the voluntary agency sector. All three, apart from qualifications and experience, had outstanding personal records. They are highly respected for their qualities of head and heart. To use current jargon, they were a Dream Team!

Each person on the Team brought in a different perspective to the question. They interacted with each other, and with various experts, a great deal. The mandate of this Team was wide. They were to examine the causes of failure and success of past rural development projects. On this basis, they were to suggest an appropriate institutional structure that would build on what was positive. This, it was hoped, would hold out hopes for success - that is, of genuinely reducing poverty of the rural poor, especially women. They had full freedom in doing their work. They used it to the full. This is very positive indeed.

Lessons had been drawn, I was told, from earlier experience of implementing rural development projects in different parts of the country¹⁴. The Team did a great deal of work. Many of the earlier projects were carefully studied. Objectives and goals were set in detail. Only after this was any design and formulation work was undertaken. Field visits, brainstorming sessions, discussions, etc. were meticulously built into this work which took nearly a year.

The project formulated after all this, it has been claimed, was *different* in several significant ways. Earlier projects had been implemented by government departments. They had got bogged down in the maze of government rules and regulations. Frequent transfers of key people led to instability in staffing, and a loss of direction for the projects. The gap between the objectives of the project and the concerns of the staff in the organisation widened over time. Cost and time overruns became the norm¹⁵. Further, local people had not really been consulted. They did not feel the project was theirs. Their participation, when there was any, had been too little and too late. As a result, it became a programme in which the people concerned had no stakes. Delays became routine. Benefits, when there were any, went to groups other than those they were meant for. This was clearly an institutional problem. There was much that needed to be set right. All this is, of course, well known. The Team went well beyond this rediscovery. It tried to build on these lessons of experience.

After taking all this into account, the Team designed a project that was **different**, in which many new things were being **done for the first time**. This included the proposal to set up a new organisation. I heard this claim again and again. For some reason not clear to me, this seemed important to the Team. It was as if the Team believed that this alone would guarantee success for their project! It is therefore worth examining this “new design” in some detail.

The basic target group are the poor - the poorest of the poor -, especially the women. The poor are defined as those below the poverty line, living in the poorest regions of the state. A list of the different districts was made, and those that were the poorest in terms of rainfall, those that were most frequently subject to droughts, were studied from different perspectives. The poorest three from this list were shortlisted, and extensive data was then collected and examined at a more disaggregate level. From this exercise, the poorest region in each district was selected for further study. The Team was confident that they had identified the poorest region. Their project then should be designed to provide inputs that would help these people living in wretched conditions to help themselves. And this should be on a sustainable basis over time¹⁶. Assistance cannot be forever.

This was to be done by focusing on the scarcest resource in the area: **water**. The places selected were almost desert - among the driest regions in the country outside the deserts of Rajasthan. If water could be provided, if water could be managed, then clearly the local economy would improve and support its people at a much higher level. The unit to be developed thus became the watershed. The objective was to increase the return per unit of water. For many reasons, a watershed was then divided into micro watersheds. All were to be developed in a rational, coherent manner. Engineering inputs were brought in, and the best in technical knowledge has been mobilised. Yet, it was felt, this is not enough. There are at least two more important ingredients: the will of the people, and an institutional mechanism for implementing the will of the people.

Extensive discussions will be held with those residing in these areas. There will be extensive interactions with NGOs working there. From these discussions, the local people's detailed priorities will be culled out. These will be placed before them again, along with suggestions of what can be done to solve identified problems. More meetings and debates will follow. These will be formalised in committees, in which all stakeholders will be represented. Every effort will be made to encourage people to participate in this exercise. This process is important. From all this, an action plan for each micro watershed, consistent with higher level plans will be developed. This constitutes the work to be done. There is no doubt this is democratic, and an advance on the top down methods we have all become so used to. The Team is to be commended.

How is all this to be implemented if the errors of the past are to be avoided? The Team has made interesting suggestions. Although the government is sponsoring this project, the Team felt it should not implement it. To implement the programme at the state level, a State Watershed Development Society is to be set up. Since the

programme is a bilateral one, both the local government and the donor are to be represented in this non-profit Society. The Development Commissioner, who is the highest-ranking official in the State Government dealing with these matters, is to be the Chairman of the Society. Apart from the donor, experts will be co-opted into the Board. The Chief Executive will be a professional [who will also be the Secretary of the Board] to be recruited from the open market. The Society will receive funds directly from the donor, will operate its own finances, and it will be free to pick its own staff. It will set up its own systems and procedures¹⁷. It will be the nodal organisation, and will build contractual relationships with all concerned in the project to get the work done. It will monitor progress on a continuous basis, making mid-course corrections as needed.

In keeping with the pilot nature of the first phase, the Society will experiment with different kinds of local bodies to work with. In one, it will be a local NGO. In another, the elected zilla panchayat. In the third, another appropriate local agency. There is an action research element here - we will have the opportunity to study how each of these bodies performs, in controlled conditions. The lessons learned will be useful if the project is to be replicated. This is wonderful for a researcher. But sight must not be lost of the fact that this is no more than a by-product of the project. It is welcome nonetheless!

Recognising that in such drought prone areas, there are clear limits to what can be achieved from agriculture, the Project seeks to encourage non-land based economic activities in every possible way. This is seen as one of the major innovations of the project, cutting across the usual administrative barriers. To support the work being undertaken, experts of different types will be contracted as and when required. The proposal provides handsomely for such consultancy inputs - 11% of project cost altogether. All this will be co-ordinated, not by the government, but, by the Society which can concentrate on this one project without distractions¹⁸. Thus, the proper functioning of this nodal Society will be critical to the successful implementation of this programme. It is [implicitly] hoped that the new organisation will by-pass basic institutional features of our governmental set up. Everything depends on this.

This is all very nice. What puzzles me is the claim that this is all very new. In 1978, Professor Bharat Jhunjhunwala at the Indian Institute of Management in Bangalore had proposed - and completed - a major action research project on the subject of non-land based economic activities. NABARD has been promoting non-farm activities in a systematic manner for at least ten years. The available literature, and experience, on the subject in India is quite vast¹⁹. Many agencies and individuals have been stressing the importance of microenterprises²⁰.

Yes, such activities are important. Without in any way denying the excellent work by the Team, I am surprised that existing experience with this type of organisation does not seem to have been taken into account in making this recommendation. An evaluation of past experience would have shown that there are many pitfalls in these programmes, from technology to finance to markets, not to mention personnel. This experience could have been used to improve the chances of success of non-land based economic activities in this project. It is a pity that this opportunity has been lost, in the euphoria of doing something new!

Earlier Experience: Three Cases of Autonomous Societies

Governments in India have for long been setting up agencies to bypass departmental procedures. This was the main reason for the Government of India setting up the public sector firms as companies, rather than as departmental enterprises like the railways²¹. Many of them were not production units, but promotional agencies. What has been the experience here? Can new organisations overcome basic institutional hurdles? It can hardly be argued that we do not know. The literature is full of evaluations of the performance of the public sector — from many points of view²². How could something like this have been missed? Or was it considered irrelevant to this project? If so, I fail to appreciate why.

Consider the **State Councils for Science and Technology**²³ that came up in the mid 1970s. In Karnataka, the Chief Minister was made the Chairman of the Society. The Director of the Indian Institute of Science was the Vice-Chairman of the Society and Chairman of the Executive Committee. There was added to this, later, a second Vice Chairman, who was a distinguished scientist²⁴. The Council could function free of red tape. The Executive Committee, which was responsible for overseeing the work of the Council, consisted of a judicious mix of civil servants and scientists. They worked very well together. They came up with a number of administrative innovations that facilitated the participation of scientists working in frontier areas in problems of rural development²⁵. It managed to involve students in fieldwork of an innovative and interesting kind.

Over the years the Council did wonderful work in diffusing technology, and in setting research priorities in the State. In the field of soil cement blocks, of efficient wood burning stoves, of biogas plants, and others, it has been a pioneer. Through the efforts of the Council, the results of research were taken into the field, resulting in many benefits to ordinary people. It was successful in drawing a large number of scholars and students in different institutions into this exiting work through innovative administrative structures²⁶.

But, today the Council is a ghost of its former self. It is amazing how quickly the innovative spark was lost. Of course, the farsighted founders have retired. But how is it that they could not be replaced by equally competent successors? We have no shortage of such people. How is it that it has failed to evolve with changing circumstances? Why did such rigidity set in? The Council is today mired in legal battles and petty politics. Today, there is also a Department of Science and Technology, and another for Ecology and Environment. This does not mean that more, or better work is being done. Why did all this happen? What can we learn from its experience? Specifically, what are the things we should not do? Could it be that setting up such societies is one of them?

Later, again in Karnataka, to implement an innovative women's education programme, **Mahila Samakhya (MSK)** was set up as a Society, with the GOK and the Netherlands Embassy as promoters. Although education was the focus of the

programme, it had ambitious goals whose fulfilment depended upon the mobilisation of rural women. This was in the late 1980s. The Minister for Education was the Chairman, the Secretary for Education the Vice-Chairman. I do not know if the design was influenced by the example of the KSCST, but I would tend to think so. Again this Society received funds directly from the Dutch Embassy, and it was free to function as per the needs of the work to be done. The MSK, at one time, even considered itself to be an NGO! In those days, it certainly worked like one.

The first Director of MSK was an extremely competent, dynamic person with excellent personal credentials and contacts. These came in handy for the organisation, as her decisions were implemented without trivial questioning. The MSK had to do many things that no one in government departments had done before. In the normal course of events, it would have been impossible to even get started. This freedom to work was critical in the early success of the MSK programme, which became a model for other states.

But this Director left before the organisation became stable²⁷. Her successor was the diametric opposite - she was rural based, where she was good at her work, not at ease in English, and with no contacts to speak of. In a short time the organisation was in the throes of multiple crises. One of the first casualties was the freedom of action, and government rules began to be quoted with a vengeance. How did the organisation move from outstanding success suddenly to dismal failure? Today, a difficult process of restoration of credibility is being attempted under new leadership. What has this experience to teach us?

The Dutch Embassy has another such arrangement in Karnataka. The **Indo-Dutch Project Management Society** was set up in the late 1980s. The Commissioner for Industrial Development and Director of Industries was the Chairman of the Board. An Executive Director was appointed by open market recruitment. Other members on the Board represent both the embassy and the state government. This Society too receives funds directly from the Dutch Embassy, and today it functions free of normal sarkari red tape.

But this was not always the case. The Board at one time insisted on the Society following all government norms, so that it had difficulty in doing its work²⁸. The composition of the Board, and the attitude of its members, become very important in such societies. The experience of this society will be very valuable to an understanding of how these things really work.

Although behind schedule, the IDPMS completed the tasks it was entrusted with. It was set up to implement the programme to provide living-cum-work sheds to the rural poor, and it completed this task over the years. It could then have been closed down, but that would have meant a loss of jobs as well of good infrastructure and institutional capabilities. Instead, it then came up with new proposals and moved on to different things quite successfully.

How has this society evolved over these years? What problems, operational and other, has it faced? Why has it changed its focus since it was set up? Has it

anything to do with this organisational mechanism chosen to implement a bilateral programme? There should be much to learn from this experience.

The State Council of Science and Technology, and the Mahila Samakhya, have passed through difficult times. The Indo-Dutch Project Management Society has changed its focus. Its basic structure is now being modified from within. Why is all this happening? Is this a positive step, linked to the changing needs in the field? Or is it a rectification of past [unintentional] errors? Will it better serve its different stakeholders in the modified form? There are many questions that arise from even a cursory look at this experience.

There are other models. The Netherlands assisted Rural Water and Sanitation Project is implemented by the line departments, with a back up in a Project Support Unit funded by the donor. How has this worked? To implement the World Bank funded rural water and environmental sanitation scheme a Project Planning and Monitoring Unit, headed by a senior officer from the Indian Administrative Service was set up in the Rural Development and Panchayati Raj Department of the GOK. There have been such innovations in other states as well. How has all this worked?

These are only some of the organisations modelled on the lines suggested by the Project Team that come to mind. There must be many other examples in other states. Even in Karnataka there are other such societies. The GOK is implementing the District Primary Education Programme, which is funded by the World Bank, through a similar non-profit Society it has set up. Why did the government feel the need for a separate society? What has been its experience? Can structural institutional ways of working be overcome, or even by-passed, by setting up such new agencies? Or does this effect last only for a short while, after which government reverts to a work ethic consistent with its own institutional tradition? Are not changes in attitudes, an essential element of institutional development, critical to success in these projects? It is well known that these are not easy to bring about. Why have these not been thought of? Or, why has it been assumed that a new agency will take care of these basic issues? Does not experience suggest that a new agency or organisation will in time fit into the strait jacket of the old institutional tradition? There are many questions here. We need to begin to look for answers.

There is no need to go into all this here. The point is that **there is a wealth of concrete experience to learn from**. For some unfortunate reason it was not drawn upon in this particular project design. The question of whether new agencies will change institutional patterns of work was not even asked. The wheel, so to speak, will have to be reinvented.

Discussion

It is indeed interesting to an outside observer that no assessment appears to have been made of these organisational innovations. There is more than ten years of experience each in at least three similar organisations to assess critically.

Before once again recommending a similar structure that is also claimed to be new, should one not ask if the initial expectations were justified in the light of experience? What will this society do when, in some ten years, this project is completed? Why not think in terms of a time bound structure instead?

Even to the untrained and detached observer, some questions spring to mind. The new Society is to be headed by the Development Commissioner of the Government of Karnataka. This officer deals largely with agricultural matters. This project has a large component on non-farm enterprises. This subject comes under the Industries Department. That department has organisations dealing with non-farm enterprises, rural entrepreneurs and so on. Will there be unnecessary duplication of effort? Will not this lead to turf wars? Perhaps not now, when the project is new and the government is keen to get going. But what about two years from now when new people will be in these positions? How will the Chief Executive of the Society, who will be an outsider to the governmental system, cope with this kind of [foreseeable] problem? And this is only one such. There will be many more!

The claim that this is being tried for the first time, makes one wonder how seriously a search for suitable institutional arrangements was conducted. Why is this claim being made? How does it matter? In what way does it add to credibility? Does “new” mean “good”? It is difficult to understand this claim.

Was it just that, knowing the problems faced in typical government programmes²⁹, an “obvious” innovation was recommended? In government functioning, such off-the-cuff solutions are not all that uncommon. That is probably how the earlier agencies came into being. This Team has done so much excellent work that it is difficult to understand why this dimension of the project design was left out. Was it a shortage of time? Or the usual disregard of institutions that typifies work in our country? Or something else?

What can be done to prevent the “undesirable” things from happening in the new Society³⁰? In what kind of institutional set up can it function smoothly? There are many questions. One seeks in vain for answers. But these answers could be important for the design of functional institutions.

The New Context

It must also be recalled that these organisational **experiments were conducted when there was no effective local government in India.** Karnataka did experiment with an interesting system of local self-governance, inspired by the late Abdul Nazir Sab in the 1980s³¹. But that experiment went through its political ups and downs. Before that time, for such projects, there was little alternative to the local bureaucracy. The system did not have much by way of decision making or programme implementation capacity. This was the reality.

There is another important point. At the time of Independence, and when the Constituent Assembly was deliberating on these matters, it was conceded that in the caste ridden local contexts, the downtrodden were not likely to get justice. Such justice was more likely to come from the Union government, remote from local emotions, and staffed with a different kind of person. Dr Ambedkar was a champion of this point of view. For this reason, in spite of Gandhi's vision of gram swaraj, our Constitution gave relatively greater powers to the higher levels of government. It is then but natural that such development projects are designed and implemented from that level.

Societies of this kind thus became essential for these projects. The cases referred to above were logical responses from committed and experienced individuals to this ground reality at that point in time. These projects could not then have been undertaken without this kind of society. The decision to undertake them came from above. This new society then was like a tonic to the system. But, like a tonic, it could only work for a short time, in special circumstances. It cannot be a permanent remedy.

But since then, the Constitution has been amended to bring in local governments in a systematic way³². The context has changed drastically. Local society is no longer so completely in the hands of the upper castes. Fifty years of freedom have brought about significant changes in the lives of the poor and downtrodden³³. The institutional set up is being churned thoroughly. One has to ask if such societies are needed now. Cannot the panchayats take over such responsibility³⁴? Why, or why not?

What is needed is a response to these issues in the new context. Is this kind of tonic needed now? Can a tonic help cure a chronic problem? May not an overdose of a tonic turn it into a toxic? Is there is a danger this may be happening? This point has to be carefully considered. Further, can we hope that the new set up being promoted can be moulded to be friendly to development initiatives of the kind we wish to promote? If so, what does this require?

Today, local governments have Constitutional sanction. The system is being churned³⁵. Elections have been held, and these bodies have begun to [tentatively] function. Many women have been brought into the political process through the reservations built into the law³⁶. Development projects at the local level are the Constitutional responsibility of these local bodies. Local governments cannot be left out of development projects. Should these now be designed by experts and higher level tiers of government, even out of habit? A panchayat cannot be treated simply as a local implementing agency, to be compared with an NGO, as this proposal suggests. It is legitimate government! It is, for the kind of programme we are talking of, **the right level of government**. The many earlier [valid?] criticisms of government functioning have to do with higher levels of government: they do not apply to the panchayats, if only for the simple reason that they did not then exist! The State is being "unbundled" now, to use a currently popular term. This is an opportunity for all to try and make the new structures, which have Constitutional sanction, friendly to such projects. The question should be: How can this be done? How can they be supported? Setting up new societies is hardly the answer, especially in the light of the experience briefly described above.

In this proposal, the local government has been given a status as a stakeholder. It is gratifying that it has been recognised. But is that all it is? Yes, others are stakeholders too. How do we categorise stakeholders? A feudal landlord is a stakeholder too, but can we equate him with a panchayat? Does not the system of reservations give hitherto unrepresented groups a formal voice? Are not panchayats, as they are constituted today, perhaps the best formal forum for eliciting the views of women? They are stakeholders too. There are many questions here that need answers. Before the questions are even asked, it would be dangerous to accept pre-specified groups as stakeholders, and accept their claims about their stakes. A great deal of local knowledge will be needed if stakeholders are to be identified correctly. Whether we like it or not, this is a political matter, to be faced politically. All this will impact on institutional design in a major way. To predecide such matters would be either foolish or arrogant. Which is worse?

Local government, the panchayat system, is the State, in all its majesty. The institutional structure suggested by the Team does not seem to recognise that. It deals with the panchayat from above. It equates the panchayat with any other local group, be it a women's sangha or a trader's association. That it is an elected body under the Constitution makes it much more. It is not an NGO! This does not deny the rights of others. They too must be recognised. But all this has to be clearly specified, and that will differ from place to place, and over time as well. In the Project Team's analysis, the Panchayat is given marks like any other body, with a negative noting that it is open to political factors. Why is this negative?

Government in a democracy is political: it is there that its legitimacy comes from. Experience also tells us that its problems also come from a political system in the midst of change. The State has many arms, - the army, the police and others - apart from different levels of government within the executive branch. How do these relate to each other? The debate on Union-State relations is only one aspect of this question. The reality is much more complex than this debate suggests. This, we are in a situation of flux.

When a new decentralised structure is imposed from above by a Constitutional Amendment, there are, inevitably, some sections of the earlier political system that become disempowered. This includes both politicians and officials in the bureaucracy³⁷. They can be expected to resist these changes, and this resistance has to be faced with understanding. Such resistance has been noticed in Karnataka. Further, many of those who get elected, will have no experience of administration. They may have authority, but not the knowledge required to discharge their responsibilities efficiently. In this situation, do we abandon the panchayat system, or support it through what are likely to be its teething troubles³⁸? If support is desired, how can it best be provided³⁹? Where does this project stand in this matter? Why does it talk of an omniscient "society" to run the project that stands in splendid isolation from all this ferment in our larger society?

Is the term political being used as a synonym for corrupt? If so, why not say so upfront? That will help in designing systems to deal with corruption⁴⁰. Is

Is political being objected to as an alternative to the bureaucracy? There would be no justification for that, even in states without a good civil service tradition like Karnataka⁴¹. The question is not one of an alternative bureaucracy, but of getting the bureaucracy, which is essential in any set up, to change in the desired manner. At the local level, the bureaucracy must implement the decisions of the panchayat authorities: it must not stand above them⁴². Or is this considered impossible?

Ignoring the legitimate nature of the panchayat system is a major flaw in this project. It is a flaw in many such projects. What is essential is to work with the panchayat. It is a new institution. It is not perfect. It will face conflicts with the well-entrenched agencies of the State Government⁴³. It needs inputs and support⁴⁴. Mistakes will be made. There will be retrograde decisions. Lessons will have to be learned from them. Improvements will come with growth and experience, and periodic brushes with the electorate. What will emerge out of all this will be a strong institution. It is this institution that will determine the fate of such projects. These projects should provide such support, not stand over it in grand judgement⁴⁵. The project must not be in loco parentis. And then claim that all this is new and positive!

There is experience too of working with panchayats. In Bijapur, the Rural Drinking Water Augmentation Scheme of Danida works directly with the zilla panchayat. This is a step in the right direction. There is still much to be done. Villagers and their panchayats may co-operate, but much of what has to be locally done depends on other higher level agencies, especially those of the State Government. The panchayats have no control over them. What if one of these agencies does not perform up to expectations? What if there are delays? All this has happened in the field⁴⁶. These are not idle questions.

What if the panchayat meets its obligations, but the benefits do not accrue because of problems elsewhere in the system⁴⁷? While village responsibilities can be specified, can we do the same about the others involved? Can we bring in performance guarantees, if not penalty clauses, on the higher levels of government? Can the terms be more even? Can the suggested Society deal with these issues? There are many things that will settle down as projects get implemented. There are trade-offs and compromises that will need to be made. Local governments will have to be involved if long term solutions are to be found. Here too, we must learn from existing experience. It will not be easy. But then, is anything worthwhile easy?

In neighbouring Maharashtra, there is the experience of the Indo German Watershed Development Programme to learn from⁴⁸. This has been implemented for several years in districts as arid as those of Karnataka. This programme has brought in multiple actors: from village committees to the state government, from banks to civil engineers, from panchayats to NGOs. The project has had its ups and downs, but there are some clear lessons that have been learned. Differences of opinion have been sorted out. Priorities have been set, and in difficult circumstances, implemented. This has been a slow process, but it has brought about changes that will last⁴⁹. It has shown that co-operation across groups is possible⁵⁰. This is not the place for a detailed discussion of these. The point is that there is much concrete experience to draw upon. From all this, undoubtedly, better institutional designs could be developed. This opportunity to learn, unfortunately, was not taken up.

Conclusion

The tendency to claim that something is new, that something is being done for the first time, is endemic in our country. This claim obviates the need to look back, to learn from experience. It is one of the things wrong with our way of working in India. It seems to signify a refusal to learn. It seems to go with a refusal to recognise reality. There are too many of us who suffer from this disease, for that is what it is. How else can one explain how these things repeatedly happen? How else can we explain that the best of us come up with such patronising projects, and then experience surprise when things go wrong?

Progress in future will depend, among other things, upon one's knowledge, upon one's ability to innovate in bridging the gap between knowledge and market opportunity. Research in economics has shown that the biggest part of the productivity increase in the United States [and elsewhere too, for that matter] has been explained by knowledge factors. These are variously called Learning by Doing, Innovation, R & D, etc. Recent debates on intellectual property rights testify to the importance of applying knowledge to different purposes. When knowledge is commercialised, the question of patents comes in. This shows how important knowledge is in today's world. Whether applying knowledge to developing institutions is patentable is a moot question, but there is no doubt that this is very important to achieving clearly stated objectives in development.

This is the area we are weakest in⁵¹. Till this changes, it is not likely we will achieve anything spectacular. This project shows all these weaknesses once again.

There is, however, some reason for hope. Although a majority of projects seem to be formulated in this mental framework, there is also a great deal of innovation going on in this country. The new initiative in Local Area Banking, from Basix⁵², in Hyderabad, which will work in the backward districts of Mahboobnagar, Raichur and Gulbarga, is one such. There are others too. But we need many more.

Respect for elected bodies must find place in our projects. This does not mean we can expect miracles from them⁵³. There will be no miracles. Local communities are not homogeneous, as we often tend to assume implicitly. They are divided along many lines, from caste to class, from language to religion. To come to acceptable solutions will take time and patience. But we cannot assume that "we" know best what is good for rural society. The local people have survived over the generations in the face of a massive erosion of accessibility to natural resources⁵⁴. This is because they know how to cope with their environment. They may be right in their scepticism about the efficacy of well meaning projects that "we" develop for them. If things have changed for the better, then they must be convinced of it. This requires time. It requires institutional change, not new societies. We cannot assume that they behave as they do out of ignorance. It could be out of wisdom, in the face of our ignorance.

On this base we can build and improve. But the Project Team's way of doing new things is paving the way to hell with good intentions. That, this Team has done with élan. We should know better than to follow them there!

Endnotes

¹ For one discussion see Vinod Vyasulu and B.P. Vani, "Urban Poverty and Unemployment in Selected States: An Empirical Analysis" ms, 1996, forthcoming from the Institute of Development Studies, Jaipur.

² This is the policy recommendation of the Washington consensus.

³ This has been argued in an influential document, The India Infrastructure Report, prepared by the Expert Group on Commercialisation of Infrastructure Projects, [Chairman: Dr Rakesh Mohan], Ministry of Finance, Govt of India, New Delhi, 1996.

⁴ This has been forcefully argued, among others, by UNICEF and UNDP. One can refer to any one of their many publications.

⁵ See any one of the dozen odd books published in the last five years on the economic reforms initiated in 1991. The most recent that I have seen is Kouser Azam: Liberalisation in India: Its Impact on Indian-American Relations, Hyderabad, 1997.

⁶ One reason may lie in the fact that much of the debate is still around the question of priorities. See "India: The Road to Human Development" Document submitted to the India Development Forum Meetings, Paris, June 1997, United Nations Development Programme, New Delhi. *The question of institutions will be important whatever the priority.* In that sense it is fundamental.

⁷ Vijay Padaki, "Institutions for Development" in S.N. Chary and Vinod Vyasulu [editors]: Managing India's Planning, Printwell, Jaipur, 1990. The distinction between "institution" and "organisation" is important. An organisation is a legal entity, governed by some law, run by people according to its goals and constitution. An institution, on the other, need not conflate with an organisation. It may exist, for example, as conventions and traditions, so long as it moulds behaviour and decisions – like the British constitution. Setting up new organisations, therefore, may not lead to institutional development. And, most importantly, *developing institutions need not mean setting up new organisations.*

⁸ One reason why many organisations look to [even retired] IAS officers to head them.

⁹ For an idea of the disastrous financial position, see Centre for Environmental Concerns, "Foreign funding in Andhra Pradesh" April 1995, Hyderabad. There is no reason to believe that other states are significantly better off. At the Union level, the revenue deficit has actually been growing since 1991.

¹⁰ The European Union is currently [mid 1997] working on a review of its different projects to see what explains effectiveness where poverty alleviation is concerned. I am grateful to Steen Folke, Neil Webster and Solomon Benjamin for discussing some of the issues with me. We await the results.

¹¹ The Union Government has even been accused of "centralising powers... through centrally sponsored programmes, and now through externally funded centrally sponsored programmes like DPEP...". See Citizens' Initiative on Primary Education: Primary Education in India—a Status Report, volume 1, edited by J Acharya, June 1 1997, Bangalore.

¹² It will be immediately pointed out that foreign finances are but a small part of the money being spent on these projects. This is true. But after meeting salaries, little is left for materials, experimentation, research etc. Such expenses are met from donor grants. For example, most of the expenditure on primary education is from internal sources. Yet, we need a donor supported District Primary Education Programme to give the inputs required for improving *quality* of education. It is in this sense that foreign finances are critical in the coming years.

¹³ In the donor countries, questions are being raised about the efficacy of aid. Given economic problems at home, there is also pressure to reduce the quantum spent on assistance. Whatever the merits of these arguments, this is the reality.

¹⁴ For example, of the potential of PRA methods in the project. One of the Team members has been a pioneer in this field.

¹⁵ For example, discussed in the lecture, **“Reflections on the Netherlands’ Assisted Integrated Rural Water Supply and Sanitation Project in Dharwad and Bijapur Districts”** by J.H. van Griethyusen, the Team Leader of the Netherlands assisted Integrated Rural Water Supply and Sanitation Project. The lecture was delivered in Dharwad, on October 1, 1996 at the Institution of Engineers.

¹⁶ This is unexceptionable. Yet, while there is a great deal of talk about withdrawal strategies, I am afraid it is at the level of intentions. Is withdrawal a one shot thing? Is it a process? If the latter, are there any markers for various stages? What kind of preparation is needed? There are many such questions to be answered before “withdrawal” can come into practice.

¹⁷ In the past though, for some reason, such autonomous societies immediately decided to be guided by government rules, and thus functional freedom became a myth. When “independent” rules and regulations were written, the starting point was often the government rule book. In government itself, rules are something of a dynamic phenomenon, subject to constant scrutiny. In such organisations, they become rigid over time. I would need convincing that such things will not happen here.

¹⁸ The project makes generous provisions for consultancy support. It is interesting that this comes in two categories: local consultants and expatriate consultants. Expatriate consultants cost ten times more than local consultants - that is the nature of the market. But I wonder why this distinction was drawn in the beginning, with 9% of project funds being set aside for expat consultancy services. India has plenty of competent consultants in different fields. Without claiming that all expertise is available here, it is possible to ask if expats will only be called in when local expertise is not available? Will arrangements be made for local consultants to learn from the expats? The project is silent on this. Why could an overall Consultancy budget not have been approved, leaving it to the Society to decide who it should invite for different tasks? Or is this the subtle influence of the donor coming in? There can be no argument about meeting the needs of the donor, who is after all putting up the money. But again, if that is the case, why not place it upfront? That would have the merit of transparency.

In the past, I have seen donors insist on including consultants from their countries in projects they support. This need not be negative. But who do they send? I have seen PhD students dispatched on these assignments. They are visiting these countries for the first time, and the visit is more important as an exposure in listen with rapt attention to their inexperienced comments, turning a deaf year to experienced, senior, Indians. The

thing is perverse in the way it works. Unfortunately, this is not the first time this is happening. I would have liked to see new ground broken here. It must be recognised that senior expatriates may be needed, and that they must be paid international rates for their specialised services. But the Society must decide upon who is needed, and when. This cannot be done when there is a separate budget head for expat consultancy that must be spent. Perhaps it can be accepted as a conditionality of the grant; in which case we should value the consultant on his or her merits, not by his or her country of origin, irrespective of competence. This would be new. And it would be welcome.

¹⁹ For example, the National Seminar on “Research Priorities in the Non-Farm Sector” sponsored by NABARD and SDC in ISEC, January 1992. There have been many others.

²⁰ The most recent, is the monumental work reported in *The Forgotten Sector: Non Farm Employment and Enterprise in Rural India*, by Thomas Fisher, Vijay Mahajan and Ashok Singha [Oxford and IBH, New Delhi, 1997]. The way in which this research was done, and this book written, by a Study Group, is in itself an interesting institutional innovation!

²¹ The irony is that the railways are run much more professionally than the public enterprises!

²² For example, the reports of the Economic Administration Reforms Commission headed by L.K. Jha, in the 1980s.

²³ In what follows I cite three examples to elaborate my point. I was on the Council/Governing Board of all three at some point in time, and can afford to make these points with some direct personal knowledge. I do not claim that they are therefore final in the sense that other opinions may not exist.

²⁴ This was done because those concerned were not willing to let the outgoing Secretary go. So, while he was replaced, at his request, as Secretary, a new post of Vice Chairman was created to which he was appointed. While accepting that the person concerned was indeed distinguished, I wonder whether it is desirable to amend the constitution of societies when the terms of the founders come to an end. This is a wide spread practice in our country, and I wonder if we should show greater restraint in these matters. Today, there is talk of a fourth Vice President to accommodate the Minister of Science and Technology!

²⁵ This has been discussed in my paper on “Management of Poverty Alleviation Programmes in Karnataka” *Economic and Political Weekly*, September 1995.

²⁶ Details are available in the annual reports of various years.

²⁷ The question of personnel policy is another important dimension of this question. It merits independent discussion – in another forum.

²⁸ They even refused it permission to buy a fax machine – when money was available! Travel allowances were pegged to government guest house rates, knowing full well that these guest houses are not available to staff of this organisation. This may appear trivial. But it is the trivial that often destroys organisations in this country.

²⁹ Poignantly described in P. Sainath, *Everybody Loves A Good Drought*, Penguin, 1996.

³⁰ The World Bank funded Electricity Sector reform in Orissa, being held up as a model to other states, a major institutional restructuring was undertaken. But in the Act that set

up the new system, the last clause empowers the Government to issue directions to the Regulator. This is the old institutional way of thinking making its appearance in the new agencies being set up. If used, the power position will be back to the undesirable normal.

³¹ See the Report of the Expert Committee to Review the Panchayati Raj System [Chairman: Dr K.S. Krishnaswamy]. Department of Rural Development and Panchayati Raj, GOK, Bangalore 1990.

³² It must be kept in mind however that this is a top down way of bringing in local government. The constitution had a clear bias in favour of the Union government – more so than the Government of India Act of 1935, passed by the British. This raises issues to ponder over – elsewhere.

³³ I hasten to add that there is still a great deal of exploitation; that the fight for social justice has not yet been won. But it cannot be denied that there has been progress, and that the situation is no longer in the same category as fifty years ago. This *qualitative* change has been to recognised, and built into our programmes.

³⁴ To do so, many things, like financial procedures, will have to change. It will be a uphill battle.

³⁵ A Committee was set up to suggest amendments to the Act of 1992. The first Chairman was Dr K.S. Krishnaswamy, but he resigned and this position was taken over by P.R. Nayak. Some of the suggested amendments have been accepted, others are being debated.

³⁶ If anything, it is at the higher levels of the state and union that they do not have due representation! The fate of the Women's Reservation Bill brings this out clearly.

³⁷ The political ups and downs of Panchayati Raj in Karnataka has to be understood in this context. What insights can we derive from this experience? This question has to be sharply posed and answered.

³⁸ For one kind of input, and one early effort, see my **The Economy of Dharwad: The Traverse to Development**. IDPMS sponsored public lecture in Dharwad, April 1997. This is meant to provide a base for a debate in the panchayat and other bodeies on district development priorities.

³⁹ One innovative experiment that must be noted is the initiative taken by the Department of Women and Child Development of the GOK in providing an interactive training programme using high technology – satellites, videos and what not – to the women elected to these local bodies. This initiative was supported by UNICEF. A set of videos developed then are still being used in training at the local levels.

⁴⁰ Samuel Paul: "Corruption: Who Will Bell The Cat?" Economic and Political Weekly, June 1, 1997.

⁴¹ S. Ramanathan [editor]: Landmarks in Karnataka Administration, Indian Institute of Public Administration, Bangalore forthcoming.

⁴² In a personal discussion, an engineer in the Public Health Engineering Department once said that the panchayat was like an NGO, while he represented "government". It is this attitude that has to change.

⁴³ This applies, *mutatis mutandis*, to urban bodies like municipalities and nagar palikas too.

⁴⁴ It is heartening that many organisations are already providing such support. The Administrative Training Institute, the ISEC, TIDE, ISST, ISS and others are working in this field. But this is only a beginning, Much more is needed.

⁴⁵ This is nothing more than the old “we know better” mindset of the past.

⁴⁶ For example, in the Rural Water and Sanitation Projects, funded by the World Bank and the Netherlands.

⁴⁷ This has happened in the World Bank supported rural water project.

⁴⁸ This information is from an ODA Newsletter: Natural Resource Perspectives, Number 17, February 1997, where the project has been discussed in detail. I am grateful to Steen Folke for bringing it to my attention.

⁴⁹ If we can go by the information provided in the ODA newsletter referred to above.

⁵⁰ Tushaar Shah, and the Institute of Rural Management have done a great deal of work in this field.

⁵¹ Discussed in Vinod Vyasulu [editor]: Technological Choice in the Indian Environment, Sterling, New Delhi, 1980. There are many others who have discussed these issues in detail.

⁵² Set up by Vijay Mahajan, after extensive study of past experience. Mahajan was earlier associated with the professional NGO, Pradan. Of course, we have to wait for the results of this experiment.

⁵³ This caution has been sounded by many. See for example the discussion in the Citizens' Initiative on Primary Education report, cited above, which also gives a brief historical overview of this issue in the context of education.

⁵⁴ Discussed in Madhav Gadgil and Ramchandra Guha, This Fissured Land, OUP, New Delhi, 1995.

3.

PANCHAYATS: VOLUNTARY AGENCIES OR LOCAL GOVERNMENT

He thought he saw an Argument
That proved he was the Pope.
He looked again and found it was
A bar of mottled soap.
"A fact as dread as this," he said,
"Extinguishes all hope!"

Lewis Carroll.

There is today a widespread view – which I believe has to be challenged — that panchayats are a new kind of NGO. A large watershed project, financed by an international donor, had the objective of assessing whether the new panchayats or ordinary NGOs were more efficient vehicles for delivery of programmes meant for poverty alleviation¹. This can only be done if the one is seen as a substitute for the other². It is this [often implicit] assumption that has to be questioned if our concern is development. Development here is understood as a process of social transformation, starting with the needs of the neediest, that is aimed at meeting basic needs, that empowers citizens, and which is ecologically sustainable³. It should not be mixed up with growth.

A scholar of eminence like Professor V.M. Rao seems to agree with this kind of formulation⁴. He considers “economic reforms⁵ as symbolising a major shift in India’s development strategy seeking to redefine the roles of the government, the market and what may be called the people’s sector consisting of panchayats, co-operatives, voluntary agencies, self-help groups, etc.” This is a vast mishmash of institutions that have sprung up at different times, and in varied circumstances. Yet, it seems reasonable to him to lump them together in one category, and that too, one defined in negative terms – that of not being government. This seems to assume that there is clarity – and agreement – on what “government” is. To this point we will return later.

As if this was not enough, Professor Rao goes on to justify this view as follows. “Panchayats are now a constitutionally established tier of the government but, considering their intended participatory character with representation of the poor and the burden of responsibility placed on them for poverty eradication, it would be reasonable to include them in the people’s sector” [emphasis added]. This statement is simply made; it would appear that assertion is enough. Mrs. Gandhi took up, for her government with a vast elected majority, the slogan of “Garibi Hatao” – did this focus on Poverty Eradication make her government an NGO? Many companies have adopted villages as a means of meeting their social responsibility. Does this make them part of the [non-profit] people’s sector?

Given the hostility to panchayats in many quarters – for example, the MLAs⁶ in many states feel that their wings have been clipped by this new category of political actors – this position enables those in authority to justify by-passing these bodies. Or, at best, of treating them like any NGO⁷. The bureaucracy too is hostile⁸. Clearly, panchayats threaten many vested interests.

I would like to argue that this formulation is incorrect. Panchayats, instead, are an integral part of the “State”. In contrast, the voluntary sector is a part of civil society⁹. A correction on these lines is essential if the country is to meet its goals in the area of human development.

India has since independence been following a policy of “growth with social justice”. Equity in some sense has always been part of India’s major goals. In Article 38 [Directive Principles of State Policy, Part IV], this is clearly specified. Clause 2, which was included as part of the 44th Amendment in 1978, states:

“The State shall, in particular, strive to minimise the inequalities in income, and endeavour to eliminate inequalities in status, facilities and opportunities, not only amongst individuals but also among groups of people residing in different areas or engaged in different vocations.”

How is this to be achieved? Many feel that decentralisation is the answer. But decentralisation of what? Of implementation? Of key decisions? What about genuine conflicts across levels, of the type brought to the forefront by the debate on the Kaiga and Cogentrix power plants? How are these to be sorted out? Or should matters be left to an impersonal market? There are many questions that need an answer.

While there have been many achievements, it has also been argued that we have neither had growth nor social justice. There has been debate around the so-called Washington Consensus¹⁰. One important dimension of this Washington consensus is the need for the state to get out of business and concentrate on its core functions – law and order, foreign policy and the like. The economy should be guided by market forces. It should be global. It is in this context that programmes of privatisation are recommended¹¹. It seems to be assumed that, once privatisation has taken place, all will be well¹².

But it is also known that the market does little for those without purchasing power. Our poverty statistics would suggest that steps [must] be taken to protect those living in poverty from the harsh effects of the market. How is this to be done?

At the local level, then, it would appear that this people's sector is the logical alternative to an often inefficient and corrupt state. Many NGOs do have a good record of work at local levels, and they cite this in support of their role at this level – and contrast it with [the existing] corrupt governmental system. If – and this is open to question – the panchayats are better than this local and corrupt system, then they are not government but part of this local alternative – a new kind of NGO¹³. Would this implied conclusion then be correct? I think not.

Many of these criticisms do have a base in reality. There is little doubt that the state, in its economic role, has got mired in corruption. There is good evidence of the inefficiency that surrounds state – and parastatal – bodies. Does it automatically follow from this that the state must be cut down to size? Or is it only an argument for re-examining the way the state has functioned, and perhaps re-doing it¹⁴ in the light of experience? While the Washington consensus has focused on the importance of “getting prices right”, it is equally important¹⁵ to “get state intervention right”. This has not received enough attention in the “state vs market” debate. I argue that it is the latter [appropriate state intervention] that is essential for the success of economic reforms. And in this process, the panchayat raj institutions have an important role to play. Let me elaborate.

One way of doing this – getting state intervention right — is to “unbundle” the state. To us in India, the State has usually meant the Government of India – certainly, if it came to some economic initiative. The Planning Commission's approval was necessary for so many things – and its role in the transfer of funds under the Plan Grants was critical to the state governments. Yes, the GOI was very, very, important. For many, it was the “state”.

At another level, almost any agency that receives money from any government source has come to be considered an arm of the State – especially when it comes to the writ jurisdiction of the High Courts under Art 226¹⁶. Thus, much of the criticism of the state, I argue, is valid when it pertains to the GOI¹⁷ – because the GOI has meddled in all sorts of things. But the “state” is more than the GOI. And its role cannot be done away with simply because of the limitations we have seen in the workings of the GOI. It is this that we tend to forget in the context of economic policy making.

In this context, panchayats, I argue, are units of local self-governance. They **are** the State at the local level, and are well positioned to fulfil certain responsibilities of the “state”. Of course, the State is more than the panchayat system. The panchayats are political bodies, subject to the vagaries of electoral fortunes. They cannot, and must not, be equated to NGOs or classified in something omnibus¹⁸ called a “people’s sector”, because of this essential characteristic. In understanding their success or failure, we look to different factors, rooted in politics. NGOs too may be mired in organisational politics. But this is a different matter altogether, because their *raison d’être* does not stem from the electoral process. Unless this is accepted, there are likely to be major problems in formulating and implementing development policy and programmes of poverty eradication.

It is only recently – after the 73rd amendment – that panchayats gained a special Constitutional status. But they had a place in the Constitution even before the 73rd amendment. Consider Art 40 [Part 1V, Directive Principles of State Policy], which is one of the original articles in our constitution. It may be remembered that, while these are meant to guide any government of India, these matters are not justiciable, in the sense that a citizen cannot take the government to court for failing to meet its obligations under the Directive Principles. Nevertheless, they are important as indicators of policy priorities¹⁹. They have had an important influence in way this country has been run. Art 40 reads as follows:

“40. Organisation of village panchayats. – The State shall take steps to organise village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government.”

Clearly, the village panchayat was conceived to be a unit of self-government. This is the role it has played historically. Gandhi’s influence is clear in this, and this view draws upon historical experience in this country —country have been effective organs of governance in India over the years. Equally clearly, it was left open as to how they were to be organised, or what powers they should have. It was also left open as to which agency of the State was to organise village panchayats. But it is clearly a duty of “the State”.

The State has been defined in Art 12 [Part III, Fundamental Rights]:

“12. Definition. — In this part, unless the context otherwise requires, “the State” includes the Government and Parliament of India and the Government and the Legislature of each of the States and all local or other authorities within the territory of India or under the control of the Government of India”.

There may be a dispute²⁰ as to whether a particular body or agency is the State under “other authorities”. The Supreme Court is undoubtedly a part of the State, but it is not under the control of the GOI. Neither are the Comptroller and Auditor General or the Election Commission. They are constitutional functionaries who could be classified as “other authorities”. In terms of political science, the police and the army, as institutions, are part of the state as well. So is the civil service – to which several articles, like 310 and 311 are devoted. But then, they come under the

control of the GOI. But, so far as local self-government is concerned, there is no ambiguity. It is specifically mentioned in Art 12 as being included in the overall concept of "the State". Confusion on this score then, is rather puzzling.

It was under the powers given by Art 40, that many state governments enacted legislation to set up Panchayati Raj systems in their states, at various points of time *before* 1991. One example is the pioneering law passed by the Govt. of Karnataka in 1983 under the leadership of Abdul Nazir Sab and Ramakrishna Hegde. West Bengal, Maharashtra and Gujarat also have a long history of Panchayati Raj. In fact, the Karnataka experience played an important role in moulding the 73rd amendment. And it is also pertinent that, while the Congress party was busy piloting this amendment in Parliament in Delhi, its Karnataka unit was busy destroying the system in the state²¹. These are clearly intensely political matters.

There was thus no need for a Constitutional amendment to provide for the setting up of panchayats. That power already existed in the Constitution. It had been exercised in many situations. Why then was there a need for a constitutional amendment? One explanation could be that, like so many other things in our democracy, this was another top down initiative by well meaning leaders²². It was an idea²³ whose time had come, and it was formalised in such an amendment. The idea was not so much to look at the fact that such a power existed and could be used. It was to pressure those who, for some reason, had not set up local self governance systems into doing so. [The only way is a constitutional amendment – the logic now being used to justify the reservation of one-third of the seats in Parliament and the state legislatures for women. If the political parties gave tickets to women, there would be no need for such an amendment. But, until compelled, they will not do so. And if compelled, will they not try their best to subvert the system?] It is not a simple matter.

What these [73rd and 74th] amendments did was [a] make it incumbent on the States to pass suitable legislation for the setting up of panchayats, and [2] prescribe a general framework within which such laws were to be passed. The variety that existed earlier is not possible now. For example, the 1983 Karnataka Act, which brought in two local tiers of government, would run counter to the provisions of the 73rd amendment that requires three tiers. We can argue that this is a net loss of freedom and flexibility. But that is by the way.

Let us consider Part 1X of the Constitution, inserted by the Seventy Third and Seventy Fourth Amendment Acts of 1992, [and effective from 4-4-1993]. Art 243 begins with definitions. Clause [d] is relevant in this connection.

Art 243 [d]: "Panchayat" means an institution (by whatever name called) of self-government constituted under Art 243-B, for the rural areas;"

Both Art 40 and Art 243 (d) describe the panchayat as an institution of self-government. There can be little dispute that it is "government" in an essential sense. It is therefore, by definition, not an NGO or any other such body. It is in no sense comparable to a credit co-operative or a water-users association, however democratic

they may be in their functioning. This is reinforced by Art 243-C, which provides for direct elections on principles given in this article. Art 243-D provides for the reservation of seats to Scheduled Castes, Scheduled Tribes, and also, one-third of the total number of seats, on the basis of rotation across panchayats, for women. Just as we elect our Parliament and Legislatures, so do we elect our panchayats. This must be the “intended participatory character and representation to the poor” that Professor Rao mentions. This is a positive feature of these bodies, not something that detracts from their political nature or their character as State bodies. Panchayats *are* Government. Further, they have clear cut powers, which are given in Art 234-G.

“243-G. Powers, authority and responsibilities of Panchayats.—Subject to the provisions of the Constitution, the Legislature of a State may, by law, endow the panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of power and responsibilities upon Panchayats at the appropriate level, subject to such conditions as may be specified therein, with respect to-

- (a) the preparation of plans for economic development and social justice;
- (b) The implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule.”

The Eleventh Schedule has 29 items listed in it. Further, we must consider Art 243-H.

“243-H. Powers to impose taxes by, and Funds of, the Panchayats.—The Legislature of a State may, by law,—

- (a) authorise a Panchayat to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits;
- [b] assign to a panchayat such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits;
- [c] provide for making such grants-in-aid to the Panchayats from the Consolidated Fund of the State; and
- [d] provide for the constitution of such Funds for crediting all moneys received, respectively, by or on behalf of the Panchayats and also for the withdrawal of such moneys therefrom,

as may be specified by law.”

The power to legislate with respect to panchayats has been vested in the state legislatures. The power to legislate of these legislatures has been given in Art 246(3) of the Constitution.

“Art 246 (3). – Subject to clauses (1) and (2), the legislature of any state has exclusive power to make laws for such a state or any part thereof with respect to any of the matters enumerated in List II in the Seventh Schedule (in this Constitution referred to as the “State List”).

This list has 66 items in it. On these matters, the State legislature has exclusive rights to pass laws – and in these subjects it may choose to pass on some powers, to some extent, in any manner it chooses, to the panchayats and municipalities. This devolution can be suited to the specific needs of each state – and it can be varied over time as well. The system as it exists is flexible.

We thus have a constitutionally mandated position for local self-government. First, they are elected bodies, with all the legitimacy this draws from the functioning of a democratic system. Second, these bodies have a clear area of jurisdiction – with some variation possible based on what the State Legislatures may do – with clear financial powers. These include the power to tax, which is inherently a power of the State. That it has been given to Panchayats means only that they are government at one level, and an inherent part of the complex entity called the State.

The position with respect to the urban areas is similar. Part 1X-A of the Constitution deals with the municipalities, and the provisions of Arts 243-P, 243-Q, 243-W, 243-X are similar to those cited above from the 73rd amendment. Thus, municipalities are institutions of local self-government in urban areas, and thus also an inherent part of the State.

In the case of both, the Constitution – Arts 243-I and 243-Y - provides for a mechanism for sharing revenues between the State government and the local bodies. This mechanism is similar to the provision for a Finance Commission in Art 280 for the purpose of sharing revenues between the union and the States. In fact the 11th Finance Commission that has just been constituted [with Professor A.M. Khusro as Chairman] has been asked to consider the situation of the panchayats in making its awards which will be valid for the next five years. Thus, these bodies have a legitimate claim on state revenues; they are not beggars seeking alms.

While the 73rd amendment is silent on the question of planning, there is a provision for a District Planning Committee in the 74th amendment. It, however, covers the entire district, urban and rural areas included. This is an important responsibility that has now been given to these local governments. It brings planning down to local levels from the rarefied heights of the Yojana Bhavan in Delhi.

“Art 243-ZD. - (1) There shall be constituted in every state at the district level a District Planning Committee to consolidate the plans prepared by the panchayats

and the municipalities in the district as a whole.

[2] The legislature of a state may, by law, make provision with respect to

[a] The composition of the District Planning Committee {DPC};

[b] The manner in which seats in such committees shall be filled; provided that not less than four-fifths of the total number of members of such committees shall be elected by and from amongst, the elected members of the panchayat at the district level and of the municipalities in the district in proportion to the ratio between the population of the rural areas and of the urban areas in the district;

[c] The functions relating to district planning which may be assigned such committees;

[d] The manner in which the chairpersons of such committees shall be chosen.

(3) Every district planning committee shall, in preparing the draft development plan:

[a] have regard to -

[i] matters of common interest between the panchayats and the municipalities including spatial planning, sharing of water and other physical and natural resources, the integrated development of infrastructure and environmental conservation;

[ii] The extent and type of available resources whether financial or otherwise;

[b] Consult such institutions and organisations as the Governor may by order, specify²⁴.

(4) The Chairperson of every District Planning Committee shall forward the development plan, as recommended by such committee, to the government of the state.”

In Karnataka, the Karnataka Panchayat Raj Act of 1993 has a similar provision for a district planning committee in Art 310. Other states have also made appropriate provisions.

In the light of this position, it is puzzling why so many still refuse to recognise – or accept – that these bodies are legitimate government at the local level, and an inherent part of the State that constitutes this nation called India. Is it a lack of understanding? Is it a response to the shortcomings²⁵ of the system that have been

revealed in the past four years that this system has been in operation²⁶? This has even led to calls for a further constitutional amendment²⁷.

This equation, then, of panchayats with NGOs is difficult to understand, especially in the case of scholars like Professor V.M. Rao – and he acknowledges that these bodies are constitutionally mandated anyway. Why this need to classify them in the voluntary or “people’s sector”? Why is it “reasonable”? What is gained?

The State has three dimensions – the executive, the legislative and the judicial. Where does the panchayat fall in this classification? Again, we can argue by analogy. Just as a government – the executive – is drawn [in our system of democracy] from Parliament, the legislative, so also in the panchayats. It is similar to the legislature, and belongs to that branch. The President of the Panchayat, who is elected from among the members, is the head of the district – zilla panchayat – government. The executive at the district level consists of the President, the Vice President, and the Chairman of the various committees, who together work as a cabinet. This is true in the urban areas as well for municipalities and corporations: the head of the Bangalore City corporation is the Mayor²⁸. He has several committees to help him run the city²⁹. He is to Bangalore city what the Chief Minister is to Karnataka.

For example, the President³⁰ –or Adhyaksha, or by whatever name called – is elected from among the members of the panchayat. S/he holds office at the pleasure of the panchayat, which can remove her/him through a no-confidence motion. Given this political process, we have both the legislative and executive branches of government at the local level in the panchayat system. It is a mirror image of the situation at higher levels.

The powers and responsibilities are spelled out, not in the 73rd amendment, which is enabling legislation, but in the specific state acts. But the fact that they deal with matters of poverty alleviation, and have a representative nature, does not justify including them in the “people’s sector” as Professor Rao does. This would make the Prime Minister, who is also selected by a representative body, the Lok Sabha, and who deals with matters of poverty, the head of an NGO! The subjects that concern a government are a matter of law and of local and temporal priority – they are not the defining characteristics of what constitutes a ‘state’.

There are, however, shortcomings. These are of a historical nature. In every state, local matters have been treated as projects to be implemented by the state government. The priorities are set at this level, and the local administration is just an implementing body for decisions taken above. Thus, every ministry in Karnataka has a Minister and Secretary to head it. In addition they have a Department, headed by a Director, whose job it is to implement decisions taken by the Ministry in the districts. Thus we have a hierarchical system of implementation. The Director heads a Department; he or she is assisted by several additional and joint directors who look after different subjects, in the state capital. A Deputy Director – a junior officer – whose job it is to do what his superiors in the state capital tell him, represents this machinery in the district. He reports to them, and draws his authority from them. Thus, at the district level we have the representatives of each and every department,

each implementing schemes decided upon in the state capital. What they spend, how they spend, is dependent upon approvals they receive from their state level bosses.

There is also a Department of Rural Development and Panchayati Raj, headed by a Minister, [with a Secretary in charge of the bureaucracy] in the state capital, to co-ordinate matters related to the panchayats. This Ministry has the power to issue directives, guidelines etc³¹. While the need for co-ordination is clear, is this the only way in which it can be done? They are alternate ways – for example, an Inter-District Council on the lines of the Inter-State Council³². These avenues have, so far as I know, not been explored. Perhaps these questions are now coming up as a result of the experience we have gradually accumulated as a result of the working of this system. But they are questions we have to deal with now.

The result is a top down system in which local people have no voice. A good department is one in which the head happens to be sensitive, and who listens to what he or she hears at the local level. That is incidental, because s/he decides and gives orders that are to be followed at the district and lower levels. One result of this is that there is no co-ordination at the local level. The Education people speak to their bosses in Bangalore, as do the Health people. And so on. The result is a complete lack of horizontal interaction. One programme cannot draw synergy from another. To us in India, Government at the district level has been synonymous with the local bureaucracy, headed by an all powerful bureaucrat called the “collector”. This is a situation familiar to all of us. It is a powerful image that will not go away easily. I give one real example in the box. The tragedy is – this is not atypical!

Water Supply and Sanitation in Karnataka

The Balekundry Memorial Lecture was given on October 1, 1996 at the Institution of Engineers here in Dharwad³³. This deals with a project of importance, by a person directly involved in implementation. That the speaker was an expatriate expert should give his views some objectivity. That he felt impelled to speak so openly should give us cause for thought. Since it seems to be quite typical of the experience of many development projects, it may be worthwhile to see what we can learn from this case. This lecture reflected on the lecturer's experience of the rural water supply and sanitation project in Dharwad and Bijapur. Some 200 villages were to be covered.

The development objectives are, and I quote from the lecture:

- ◆ “to better living conditions to reduce the incidence of water and water-related diseases;
- ◆ to achieve sustainable development of community organisation, so as
- ◆ to enable village communities to help themselves in case of future problems related to water and sanitation.

The associated short term objectives were laid down as:

- * to provide safe and accessible water
- * to improve environmental sanitation
- * to promote the proper use of new facilities.”

Three years after the project period was over, the villages have no drinking water. What can we learn from this failure?

This project was to be under the control of the district authorities. A special District Project Unit with technical and other staff was set up to administer the project. To help in the technical and managerial aspects of the project, a Project Support Unit was also established, at the cost of the donor country. The PSU operated in Bangalore, Dharwad, and Bijapur. Participation of people is an important element of this project. Techniques like PRA and PALM were extensively used by highly trained staff.

The project is an area of importance. It is targeted at the correct group of people. The planning seems excellent, linking foreign funds to local requirements through the participation of the local communities. At first glance, everything seems to be well designed. What then actually happened? That is a long story.

The bottom line is this. Water supply was supposed to commence in January 1994. Till now, it has not. [Since this is 1988,] we are four years behind schedule. Why?

The answer given by Griethyusen is simple and straight forward, and I quote:

"For several years now, the Government of Karnataka has complicated and delayed work unnecessarily by

- * contrarily to the principles of delegation of powers agreed-upon in the side letter between the Governments of India and the Netherlands, insisting on its bureaucratic procedures which are inherently unsuitable for any time-bound unconventional project which integrates activities of various types

- * regularly not fulfilling its in the same side letter agreed upon obligations of posting committed and qualified staff over suitable periods

- * absorbing more time for scrutinising documents than their preparation had taken, due to which deadlines were hardly ever kept and scheduling was time and again thrown in jeopardy

- * for long insisting on the incorporation of existing facilities in the new schemes, though knowing that these facilities do not even meet its own standards."

If this project is a typical one, then the problems it is facing are likely to be typical too. One may hazard the guess that such ills effect other development projects too. Understanding them then becomes a first step to doing something to improve the system. It is in this spirit that I have given so much attention to this project. I am sure I could have picked up any other.

One reason for such things happening with much regularity is because, in the government procedures as they exist today, it is important to avoid audit and other problems. There is no tolerance for mistakes. There is no penalty for not taking action. Thus, achieving the objective of providing water is less important to officials. It is more important not to get into trouble by doing something. The

whole system works this way. The delegation of powers in this situation becomes a mockery because no one will exercise such powers anyway. Papers will be pushed up to the higher authority, and will eventually end up in the Cabinet. Delay does not matter³⁴. And all this is on the assumption that there is no corruption in the system. One can imagine how that would complicate the matter. This is the Gordian knot that has to be cut.

There are positive elements in this excellent lecture. I would like to simply note the word of hope on which the lecture ends:

* “the project is further decentralised and, eventually, privatised such that powers for implementation will be fully handed over to the District Project Units suitably remodelled as autonomous implementing agencies.”

In the end then, hope, in this view, lies in decentralisation of decision making and implementation to the district. This project was taken up before the current system of ZPs came into existence. The ways in which the project was implemented then can therefore be changed now. The role of the different departments, and the role of the state government can be reduced. The ZPs have responsibility for water and sanitation. Griethyusen points out the positive role of the district and the village communities. Will it not be possible to build on this positive element, and see that these villages do get water now? Is it not possible for the water and sanitation committees formed under this project, before the advent of panchayati raj, to work with the gram panchayat committees, and gradually, be replaced by them? There are difficulties in transition, but we have to be mature enough to face them and overcome them. There is no other option if the objective is to provide service to the people.

The point is to shift to a management by objectives mode from a mindless bureaucracy mode. The purpose is not to blame people, but to place them in positions here they can make a useful contribution by changing the system. Will we learn the lesson from this experience?

Over the years, it has become accepted knowledge that this system of administration is inefficient. There seems to be little hope of improving it. In fact the government itself, in an effort to improve the delivery of services at the local level, has sought to involve NGOs in what are rightfully its own responsibilities. Some have even argued that in this way the government has been trying to abdicate its responsibilities. Be that as it may, NGOs became recognised as bodies at the local level from whom one may expect results. At times, they began to look like an extension of – or the nicer face of – the government. This has become an issue that is being discussed in the NGO world³⁵. It is in this sense that expectations developed on NGOs³⁶. And, to be fair, NGOs began in some cases to see themselves as some kind of an alternative³⁷ to corrupt local government.

This is the existing system into which we have brought in panchayats by a constitutional amendment from Delhi. Elections have been held, and the panchayats constituted. But the bureaucratic system remains largely as before. What used to be called the DRDA is now the ZP. An officer called a Chief Executive Officer has been brought in as head of the ZP administration. In theory, all the district

offices come under him. In reality, he is indeed the administrative head, but in all technical matters, things get referred to the departmental bosses, who have the power of "approval" – an important bureaucratic power. The CEO is supposed to listen to the President of the ZP. Many do, as they recognise political authority. Yet, they have the power to refer decisions of the ZP to the state government, and thus not implement them. The CEO's bosses are in the bureaucracy in the state capital. Thus, we have a local government which does not have a bureaucracy under its control.

One can ask if the Indian bureaucracy is under anyone's control. This question itself suggests the enormous power that the bureaucracy has accumulated over the years in this country³⁸. But on paper at least, the Prime Minister and the Chief Minister do control the civil service³⁹. This is not true at the ZP level.

And this local bureaucracy is not very happy with the ZP system that has now come into effect. Reviews⁴⁰ have shown how local supervision has tightened up; how demands on the local system have increased. This is resented by a powerful bureaucracy with its own interests. MLAs for their own reasons dislike the panchayats. There may be NGOs who feel threatened with the emergence of panchayats in their areas. Thus, there are many local and regional forces whose interests clash with those of the panchayats. It will be a political battle. This is the struggle now going on in the ZPs in Karnataka. They are working under heavy odds.

I can cite one example of this from work⁴¹ my colleagues and I have been involved in. This has to do with the way panchayat finances are dealt with. The panchayats are responsible for the working of schools, health centres, water supply and sanitation and so on. Yet, it is very difficult to find out what the budget for a district is in these heads. One has to go to what are called the link documents to get some information. These give outlays. After audit, we get actual expenditure figures, and it turns out that there are not many links between the two⁴². For example, in Dharwad, in 7 out of 8 years for which we had data, it turns out that the amount spent on primary education was well below the sum allocated. Why did this happen? It is difficult to get at answer, because the accounts have been made from the viewpoint of the state government and not the panchayat. A change in the entire budget system is required before these kinds of questions can be routinely handled, as they should be.

But there is evidence that the system can work well if given the chance. In Kerala, the ZPs have been very successful in mobilising the local people into the planning process. Gram sabhas have met repeatedly to make, discuss and approve local plans, which then are sent up the tiers of government to the Planning Board in Thiruvananthapuram. The system has led to many improvements in the way things are done, and it has been successful in mobilising local skills for local development work⁴³.

In Madhya Pradesh, the panchayat system has responded wonderfully to the challenge of primary education. As a result of a survey conducted by the elected representatives and the school teachers, certain gaps in the school

system were identified – and the GOMP responded with an Education Guarantee Scheme. The panchayats took to this like a duck to water, and the result is a major change in the system of primary schooling in the state⁴⁴. The Government of Madhya Pradesh has taken a clear position on this.

From the Mission Mode of Organisation to Local Implementation

The efforts of the (Rajiv Gandhi Siksha) Mission to ground educational initiatives on community support as demonstrated through the Education Guarantee Scheme, Alternative schooling, LokSampark Abhiyan and the central role of panchayati raj in primary education indicate that universalising primary education requires strong base of social mobilisation. This in turn requires a restructuring of the entire sector of primary education on the principles of decentralisation and community participation. Decentralisation holds the key. The immediate need is for institutional reform in the direction of decentralisation to give over the entire responsibility for primary education and total literacy to panchayat structures at district and sub-district levels. The Mission has already proposed a model for such institutional reform. Decentralisation will also push the school management laterally towards the community thereby restoring the school to the community. The responsibility for enrolling and retaining every child in school will then truly become a collective task of the government and the people.

This statement has been taken from the Government of Madhya Pradesh publication, RAJIV GANDHI MISSIONS : FOUR YEARS - 20 August 1994 - 20 August 1998. Its credibility rests on the achievements in the field, not on empty exhortations by political leaders.

In these cases where there has been success, the panchayat have been given space to perform. Higher levels of government, in both Kerala and Madhya Pradesh, have not only given them clear responsibilities, but also created spaces in which they can work. The support of the civil service at the local level has been ensured. And this is where we get insights into what is a necessary condition for the panchayat system to work.

The Departmental structure of administration has to be reformed⁴⁵. I must not be misunderstood here. I am not saying that the existing system has no achievements to its credit⁴⁶. This is not a plea for throwing people out of work. It is simply a statement that, a match must be made between tasks and responsibilities so that the panchayats and the local civil service can work effectively. The Panchayat must have its own support in all the areas in which they have responsibility. Departments like Public Health Engineering have to be re-organised so that engineering advice is available to the zilla panchayat without reference to the state capital. The Office of the Director of Public

Instruction has to be re-structured so that what can be done at the local level is done there. Only matters of quality, co-ordination etc must come up to the higher level. No one knows this better than the concerned officials themselves.

The President of the panchayat must control the CEO – by, for example, writing his annual confidential report⁴⁷. The work responsibilities and powers of sanction must be redistributed, so that decisions can be taken at the panchayat level. There is no need for Departments of the current type to exist. In the state capital, the Ministry is enough. The implementing arm must be divided across the districts, reporting, through the CEO, and the Panchayat to the Ministry in Bangalore. In other words, the panchayat must have its own supporting staff, one that it recruits, trains, transfers etc. The system needs to be redesigned from one located at the level of the state capital to one located in the districts and co-ordinated at the level of the state capital. For this, the CEO must be a senior civil servant, perhaps one in the supertime scale of the IAS.

This is, at best a necessary condition for the success of panchayats. It will need to be worked out in detail, in consultation with the officials who work in these departments, so that the benefit of their experience can be built into the new structure. But, and I emphasise this, this alone will not constitute a sufficient condition for the success of panchayats. Much more will be needed, and I hope this comment on Professor Rao's published views leads to a debate that will help us find a viable solution to the working of local governments.

¹ I have discussed this case, and others, in my "Rural [and other] Development Projects: The Question of Institutions" Paper presented at the NIRD Foundation Day Seminar, November 1-2, 1997, Hyderabad. See Essay 1 in this volume.

² This precisely is how some highly experienced people see them. For example, Dr Bharat Jhunjhunwala, asserts that what exists at these lower levels are sub-contractors of different kinds – NGOs and panchayats compete for contracts, and hence are indistinguishable in any serious way. Personal communication.

³ This is a paraphrase of the definition articulated by Amulya Reddy in his many writings. See for example "Energy for a sustainable World" with T Johanssen, and others, East West Press, Bangalore 1985.

⁴ "Economic Reforms and the Poor—Emerging Scenario" Economic and Political Weekly, July 18, 1998, p1949ff. He makes this comment in the context of a project on "Policy Research and Voluntary Action" focusing on this sector. Clearly, it is a position that must be shared by many people.

⁵ It can be argued that the setting up of the panchayat system, while co-terminus with the reforms, was not really a part of the economic reform process as the government conceived of it. See my Crisis and Response, Madhyam Books, Delhi, 1966.

⁶ There is also the very real fear of a new class of political leaders, with a solid base in the districts, emerging on to the political scene and challenging them on their own turf. This type of political opposition can be understood – and should be expected.

⁷ Perhaps the next step would be to demand that their activities come under the FCRA that controls most NGOs.

⁸ Dr Poornima Vyasulu tells of an Executive Engineer in the Public Health Engineering Department who told her that he was the “sarkar” – that these new panchayats were arrogant NGOs who thought they could make decisions. He would stop it before it got too far. In the bureaucracy, this is not an atypical view. And it has serious implications for the working of local governments.

⁹ The State is the set of formal institutions that constitute a country. Citizens in any society, however, also constitute themselves into bodies that have little to do with the state. These bodies, which are not part of the formal apparatus of the state, are what I refer to as civil society.

¹⁰ See T. Krishna Kumar, “Consensus Against the Washington Consensus”, both for a summary of what it is and a reasoned critique. Economic and Political Weekly, xz asdf.

¹¹ Discussed in my Inaugural Lecture “Public Enterprise in a Re-structuring Economy”, Institute of Public Enterprise, Hyderabad, August 12, 1993. Published in The Administrator, Mussoorie, January 1996.

¹² This assumption has been examined, and found to be empirically incorrect, by Pankaj Tandon. See his “The Efficiency of Privatised Firms” Economic and Political Weekly, November 1997.

¹³ This, along with a wish that panchayats [should] function in a people friendly way, seems to be Professor Rao’s position. Personal communication, after Professor Rao saw the first draft of this article.

¹⁴ See for example, the arguments of Amit Bhaduri and Deepak Nayyar in The Intelligent Person’s Guide to Liberalisation, Penguin, New Delhi, 1996.

¹⁵ Discussed in the Introduction in Shobha Raghuram, Heiko Sievers and Vinod Vyasulu (eds): Structural Adjustment: Economy, Environment, Social Concerns, Macmillan, New Delhi 1995. The point comes up in several other papers in this book.

¹⁶ Invoked regularly by employees for such important things as transfers, promotions, selections etc.

¹⁷ This is not new. R.K. Hazari, in his Inquiry into Industrial Licensing for the Planning Commission in the late 1960s, made the same point.

¹⁸ This requires detailed discussion. In Professor Rao’s scheme, co-operatives too are in the people’s sector. Yet, the reality in most places is that co-operatives, thanks to the powers of the Registrar of Co-operatives, at the mercy of government. In Karnataka there is even a Minister for Co-operatives. To class them as non-government would mean deviating from reality in a serious way.

¹⁹ There have been judgements of the Supreme Court, which have said that the Directive Principles are like fundamental Rights – such as the matter of primary education.

²⁰ I have benefited from the erudite discussion on Art 12, in Ramaswamy R Iyer, The Grammar of the Public Sector, Rawat Publishers, Jaipur, 1990.

²¹ As Dr Ambedkar pointed out, things that look nice and attractive at the national level often look different at regional and local levels. This was one reason for the pro Union tilt in our constitution.

²² Consider this statement by S.S. Meenakshisundaram; "When we talk of decentralisation we admit that there is centralisation and we want to remedy a wrong thing that has happened; that is, we start from the wrong end and so we have the paradox of enacting a Central legislation to bring in decentralisation". Journal of Rural Development, Vol 16 [4], 1997.

²³ Discussed brilliantly in Sunil Khilnani, The Idea of India, Hamish Hamilton, London 1996.

²⁴ This does not prevent the DPC from consulting bodies not mentioned by the Governor!

²⁵ In practice, there are many, from elected women being dummies for their husbands to any of several faults. Govind Nihelani's film, *Shanshodan*, brings this out graphically. But these are things that will settle down as the system is given a chance to work, and the people express their will over a number of elections.

²⁶ K.D. Gangrade makes the point that several state acts, passed after the 73rd and 74th amendments, are not in conformity with the spirit of these amendments, because they do not recognise these bodies as institutions of self-government. "A study of preamble of most of the state legislations reveals that they are geared towards better administration of rural areas greater public participation and effective implementation of rural development programmes. Except in a couple of states, no State Act says that its objective is to establish the institution of self-government. In other words, most state governments see the Act merely as a tool to establish panchayats as their agencies." K.D. Gangrade "Power to Powerless-A Silent Revolution Through Panchayati Raj System" Journal of Rural Development Vol 16 [4] pp751-766, Oct-Dec, 1997.

²⁷ After carefully reviewing experience with the PRIs in several states S.S. Meenakshisundaram suggests that there is a need for a further amendment of the 73rd amendment. See his paper "The 73rd Amendment – A Case for further amendment" Journal of Rural Development, Oct 1997.

²⁸ S/He is formally referred to as "Worshipful Mayor"!

²⁹ The problem is the state government, which has appointed a Minister for Bangalore City development. The lines of authority and responsibility get muddled, and the result is chaos. The correct thing would be to keep the responsibility with the Mayor.

³⁰ In the 1983 version of Karnataka's panchayati raj, the Adhyaksha was given the rank of a Minister of State, thus removing any ambiguity about his status. This was not done in the post 73rd amendment act.

³¹ In Karnataka, the 1993 Act gives explicit powers to the civil servants. See Arts 232 and 232, for example, which give powers of inspection – and the reports go to other civil servants for appropriate action. The elected representatives are nowhere in the picture!

³² Madhya Pradesh has set up a State Development Council, modelled on the National Development council, to deal with these matters. It is chaired by the Chief Minister, and

has the Presidents of all the ZPs as members. This could be adequate – we have to go by actual experience.

³³ The lecture, titled “Reflections on the Netherlands’ Assisted Integrated Rural Water Supply and Sanitation Project in Dharwad and Bijapur Districts” was delivered by J.H. van Griethyusen, the Team Leader of the Project Support Unit of the Netherlands assisted Integrated Rural Water Supply and Sanitation Project in Dharwad on October 1, 1996. Engineer Griethyusen spent over five years in this project, and his views, based on such experience, cannot be ignored. If we disagree, it is up to us to show how he was mistaken. The substantial issues have to be faced.

³⁴ Again, such delay leads to major changes and complications in the technical parameters. Project designs tend to become obsolete. But it does not matter in the existing system, where it is the procedure that is sacred. Results do not matter at all, except to the local people, who have no voice in the system. To some extent, NGOs can provide this voice.

³⁵ See Al Fernandes’ reflections on The Myrada Experience, Myrada, Bangalore 1997.

³⁶ Neil Webster, D. Rajasekhar, and M.K. Bhat, People Centred Development, Bangalore Consultancy Office, Bangalore 1996, for an elaboration of this kind of thinking.

³⁷ Perhaps in this situation, the sudden appearance of the panchayats, with the high hopes attached to them, makes people think they are another NGO! If so, the hostility that one sees in many NGOs to the panchayats becomes understandable.

³⁸ Discussed in my paper, “Debureaucratisation; An Imperative for the next Quinquennium” Indian Journal of Economics, January 1996.

³⁹ This has to be qualified, to the extent that the Union has certain powers over the All India services. These are matters of detail. The ZP has very little control over the district administration.

⁴⁰ For example, the Report of the K.S. Krishnaswamy Committee that reviewed the working of the ZPs elected in Karnataka in 1987. Available with the Department of Panchayati Raj and Rural Development, GOK. Bangalore.

⁴¹ An Action Research project on “Devolution of Panchayat finances” at TIDE Development Research Foundation, ongoing. Two district level studies, that may be some use to the District Planning Committees, have been prepared – one for Dharwad, and one for Bangalore Rural.

⁴² Discussed in my paper presented to a workshop organised by the National Institute of Rural Development and the World Bank, in Hyderabad and Delhi in July 1998. This should be published in the proceedings of the Workshops by the NIRD soon.

⁴³ Based on discussion with the Vice-Chairman of the Kerala Planning Board, Professor I.S. Gulati.

⁴⁴ Based on personal observation in two districts of the state. Details in my report, “In the Wonderland of Primary Education” submitted to the Rajiv Gandhi Siksha Mission, Bhopal, August 1998.

⁴⁵ There have been reports in the press that the former Congress MP, Mani Shankar Iyer, has suggested that a District Administrative Service be set up for panchayats. If the cadre control is in the hands of the President of the Panchayat, this seems to be an idea worth pursuing.

⁴⁶ Elsewhere I have discussed the positive achievements of Karnataka. See my paper on the state’s Poverty Alleviation Programmes, in my Facets Of Development: Studies in Karnataka, Rawat publishers, Jaipur, 1997.

⁴⁷ This was the case in the 1983 Karnataka system that has since been given up.

4.

PANCHAYATI RAJ IN KARNATAKA

Some Issues For Discussion

"It's extremely nasty!" Bruno said, as his face resumed its natural shape.

"Nasty?" said the Professor. "Why, *of course* it is! What would Medicine be, if it wasn't *nasty*?"

"Nice" said Bruno.

"I was going to say——" the Professor faltered, rather taken aback by the promptness of Bruno's reply, "— that *that* would never do! Medicine has to be nasty, you know. *Be good enough* to take this jug, down into the Servant's Hall," he said to the footman who answered the bell: "and tell them its their Medicine for *today*."

"Which of them is to drink it?" the footman asked, as he carried off the jug.

"Oh, I've not settled *that* yet!" the Professor briskly replied. "I'll come down and settle that, soon. Tell them not to begin, on any account, till I come! It's really *wonderful*", he said, turning to the children, "the success I've had in curing Diseases! Here are some of my memoranda."

Lewis Carroll.

This paper is in the nature of an introspective report on ongoing work in Karnataka¹. My objective is to share my experiences, raise some questions and to get feedback on these issues. From the discussions here I hope to get ideas that will help in shaping the future course of our work. Perhaps I should begin with an apology for imposing preliminary work on the faculty of this respected institution. I would have loved to present the end results of this work - but that, it is clear, is very far away. And I could not resist the temptation of picking the brains here in my search for clarity.

This project began about two years ago². Panchayati Raj is not new to Karnataka, but experience with the post constitutional amendments is. We therefore set out to learn how the system is working. And being students of economics, where could we start but with the budgets? What follows reports on our experience in trying to understand the local governments budgetary system, understood in a broad sense, and the questions this work has thrown up.

The work is also limited in scope. The state is large. When we began work, it consisted of twenty districts; today it has twenty-seven. Our work is confined to only two of these - rural Bangalore³, the immediate hinterland of the state capital, and Dharwad⁴ in northern Karnataka. Bangalore was part of the old Kingdom of Mysore, while Dharwad was part of the Bombay Presidency before Independence. The two have different histories and traditions. There are other traditions too in Karnataka - but we can only approach them later. Even this we find, may be rather ambitious. We have to be careful then, in making generalisations.

Starting with the budget of the state of Karnataka⁵, we focused attention on the social sector. The reasons are simple. In the context of the ongoing reforms, this sector has assumed an importance it did not earlier enjoy. Its importance has been rather belatedly recognised. It was feared that the adoption of the Structural Adjustment Programme would lead to severe cuts in such expenditures⁶. And, at another level, responsibility for implementing projects in this area falls to the panchayats in the new arrangements⁷. The new concepts of development economics - empowerment, participation, social exclusion and the like come to the forefront at this level. Our study should, then, throw light on larger issues as well.

The setting up of the Eleventh Finance Commission, with Professor A.M. Khusro as its Chairman, may give this work some immediate relevance. This commission is the first one⁸ with a mandate to look into the finances of local bodies as well. Thus our results may contribute to the debate that the work of the Commission will call forth.

This paper is organised as follows. I first provide a background to the panchayati raj context in Karnataka. This is followed by a discussion of some themes which emerged from our work in these two districts. I look forward to comments which will help us take this work further.

I

The word "panchayat" is a traditional one, referring to the five elders in a village who mediated conflict and spoke on behalf of all the residents of a village in pre-modern times. While the word has been retained for use after the 73rd amendment to the Constitution, the meaning is now a formal one referring to a body - not of five persons - elected according to law. Further the word is used for the three tiers of local administration brought in by the 73rd amendment - the highest being the district or zilla panchayat. The lowest is the gram panchayat which may consist of several traditional villages. All citizens of these villages constitute the gram sabha, which

then becomes the basic unit of democracy. In between is a co-ordinating level - the taluka panchayat. The powers that these panchayats enjoy are enshrined in the laws enacted by each state, and, in India, there is considerable variation across states. Thus, this traditional word must now be understood in a thoroughly modern context. And this is quite recent.

In what follows, we go by the Karnataka experience. In the last fifteen years or so, Karnataka has gained a reputation as being a pioneer in introducing panchayati raj, and it has gone through many ups and downs. There may then be some valuable insights for others too from this experience.

The Constitution provided, [in Part 4, The Directive Principles of State Policy, Article 40] for the setting up of village panchayats. But this is non-justiciable, and there was no pressure on any state to set up such a system. Many saw this article as a concession to Gandhi, rather than as a serious matter to be immediately implemented. The reason for this was the powerful voice of Dr Ambedkar. Drawing on his own experience of rural India as it then was, he argued that local elites and upper castes were so well entrenched that any local self government only meant the continuing exploitation of the downtrodden masses of Indian society. Thus, in addition to affirmative action enshrined in the Constitution, the distribution of powers was deliberately made to favour the Union⁹ as against the local, even state governments. The Union, being far away from the squalid battles of rural India, and being looked after by an educated and urban strata of society, would, it was felt, be more just - or at least more impartial - in its dealings with the downtrodden. Historical experience would tend, I suspect, to justify this early expectation¹⁰. But is this still true after 50 years of gradual change? To what extent have things changed - for the better?

The Union in those early days took up what was called the Community Development Programme. This was meant for all round social and economic development, and it was an important ministry headed for long by S.K. Dey. It was this programme that brought in such functionaries as the Village Level Worker and the Block Development Officer. After the 1960s this programme declined, as centrifugal forces led to the gradual dominance of the Union. Finally, the Ministry of Community Development ceased to exist. That philosophy became a thing of the past. But the bureaucracy it created remained.

This is not the place to trace the experience of this ambitious programme. Suffice it to say that, when it was being reviewed, the Balwant Rai Committee in the late 1960s came up with the idea of local governments, which was given the traditional name of panchayat. Later, in another context, the Ashok Mehta Committee in the late 1970s too made recommendations for the setting up of local governments. As we shall see, these had an important impact many years down the line. It is from the Union's experience of development programmes that the idea/need for local governments came to be pushed. It has been a top level initiative for local development. And, I might add, it continues to be so.

Given the overall centralising trends in the Indian polity, the States too developed an authoritarian system of governance. States almost became subservient

to the Union. Art 356 was used to keep a firm check on the behaviour of state governments. This ensured that strong hierarchical systems developed. All this was further strengthened during the Emergency¹¹. The states behaved in the same dominating way with lower tiers of governance - or, more correctly, administration. Strong line departments took over development programmes. This is true, perhaps in varying degrees, of all the states. Indian democracy lost the grass roots link: it became a top down system. At the same time the bureaucracy grew in influence. Karnataka was in no sense an exception to this.

Yet, and this is the Indian paradox, several state governments conducted their own experiments with local self government¹². The changes that occurred over the last 50 years of planned development, also resulted in pressures from below, to which political forces have had to respond. Let us for the moment by-pass the urban areas. In the rural areas, Karnataka began experimenting with panchayats in 1960 - and this was based on the experience of Princely Mysore¹³. Other states, like Gujarat and West Bengal too have valuable experience to learn from. It is also true that in some other states, there has been little positive change.

One concrete case study may help us to understand issues which may have a more general validity. Karnataka is a middle ranking state, and one of the districts I will use to illustrate my points, Dharwad, is a middle ranking district. The other is the hinterland of the state capital, and falls in the lower half when ranked according to social development indicators. How far one can generalise is a matter I will leave open at this time.

After the 1960 experiment with decentralisation, the next major change in Karnataka was a new law passed in 1983 — and implemented from 1987. This had a two tier system of Zilla Parishads and Mandal Panchayats, created on the basis of population size. A notable feature of this system was that it gave the President of the Zilla Panchayat the status of a Minister of State; and it vested in him the control of the senior officer [of about 15 years experience in the IAS] who was posted as the Chief Secretary of the district¹⁴. This gave the zilla parishad importance in the eyes of both the public and the civil servants. It became an important political forum.

This experiment was aborted for several reasons to do with state politics. But this experience was important in giving shape to the 73rd amendment to the Constitution. Ironically, this amendment, which drew much inspiration from the 1983 Karnataka Act, was passed in the Lok Sabha by the same party that was busy demolishing it in the state. I mention this to show that, for all the stated agreement on these issues¹⁵, there is in many quarters a hostility to local self government¹⁶. This fact must be factored in if any new policies meant to strengthen the system are to succeed.

The Karnataka Act which followed the 73rd amendment is less liberal to local stakeholders than the 1983 one¹⁷. It has brought about obvious changes. In Karnataka, for example, although the reservation for women is 1/3rd, as in the rest of the country, at the gram panchayat level well over 40% of the elected representatives are women¹⁸. Many are into politics for the first time. If they lack in experience, they

also have not been spoiled by past practices. Many are young, and look forward to a long career in politics¹⁹. The prospects for participation by women in framing and implementing social sector programmes are therefore bright.

But apart from all this, what has been the experience with this system? It is a large question. In the sections that follow I will examine some important questions relating to financial matters. It is not may claim that these are the most important questions. But some understanding of these matters will be essential if further progress is to be made in panchayati raj.

II

What are the funds available with local bodies? It is difficult to give a satisfactory answer. At one level, they will be what the state Finance Commissions recommend²⁰. But what about in the past, before these commissions were set up? Karnataka had this system for a full term of five years before the 73rd amendment. We tried to find out in Dharwad and rural Bangalore²¹ - and we are still at it.

The data are simply not available. Even the State Finance Commission of Karnataka, which tried very hard to find an answer, could only recommend that a system of data collection be set up. However we do know the following:

- * each gram panchayat gets Rs 1,00,000 per year as a cash grant, given in four quarterly instalments of Rs 25,000. This, many of the GPs claim, is inadequate.

- * programmes like JRY which are implemented locally, also result in some funds being made available to the gram panchayat. These funds, are, however, tied; they have many onerous conditions that need to be fulfilled; they are linked to the supply of materials and to contracts. This may work in many ways - we have to learn from experience.

- * the gram panchayat has powers to levy some taxes - on local markets; fines of different kinds, on property, etc. It can also lease out fruit trees etc in its jurisdiction. The fact is that all these result in very small amounts becoming available for use by the panchayat.

- * there is a great deal of expenditure taking place in the districts, directly by the various line departments of the state government - for example, in primary education. But decision making here is with the departments, not the panchayats. Yet, it is local expenditure. In some cases, the Zilla Panchayat is to implement these schemes which have been designed and decided upon elsewhere. There is no freedom to make any changes to adjust for local conditions. We have to ask if it is the "tied" conditions that is objectionable, or the fact that priorities are set elsewhere? Is it a jurisdictional issue? Or a self government issue?

* there is also the money available with the MLA and the MP in their constituency development schemes. These elected representatives have some freedom in how they can be used. Whether it is desirable to continue this scheme is another matter altogether. It must be debated on the basis of data of what has been done in the field.

How do we account for all this? Do we include these amounts in local finances? Why or why not? And if yes, then how?

If we go by the indicator suggested in the World Bank guidelines - availability of untied funds - then our panchayats are not very free. But how much weight should we place on this criterion? I ask this deliberately, because, in a federal system, the transfer of funds to lower levels of government is a constitutionally mandated process. Panchayats are legally entitled to this money. Panchayats need not be afraid of putting forth their demands which have a political legitimacy. They are not beggars seeking alms. It is the higher level of government that may be in error if it ties the hands of panchayats in any manner. Thus, while untied grants may be small, the system should ensure that the transfer - or devolution, to use the more common term - of finances is adequate for the legitimate demands of the local people. If funds are available, then is it the form of "tying" only that has to be looked into? Thus the real question is: why do panchayats have so little money for their legitimate needs? Or, why do they have so little flexibility to do what they want?

This begs an important question. How much do panchayats need - and what are their legitimate needs? In the absence of information about the district economy, how can this question be answered? Even if the new system provides for a District Planning Committee headed by the ZP President, how is this body to make a rational plan? Without active gram sabhas, can such a plan get popular approval? It is unfortunate that the kind of studies required to make this operational are few and far between. In Dharwad and rural Bangalore, we have made a small beginning²². On this kind of a foundation it should be possible to build. But we have a long way to go.

As an example of the problems facing those working in this area, I will refer to some data on panchayat finances that we have collected for Dharwad district in Karnataka²³. This deals with the major areas of expenditure of the Zilla panchayat. The tables give both the budget allocations or outlays and the actual expenditures. The latest year for which expenditure data is available today [1998] is 1994-95. One can ask how useful such old data is for planning purposes.

That apart, look at the complexity of the accounting system, which is designed from the viewpoint of the state government and not the district panchayat. The distinction between state sponsored schemes and central sponsored schemes may have relevance for the state government, but it makes no sense for the ZP. For them it is a local project. Further if one looks at any given item - say drinking water, look at the number of heads under which expenditures are incurred. To get the total being spent on drinking water in this one district, one has to plough through the

State Schemes and the Central schemes. Then one has to get at the drinking water component in the schemes of other departments. For example, the Social Welfare department has an allocation under the Special Component Plan. All this has to be pulled together in order to get an idea of what is being spent on drinking water in this one district. What is needed is a simple system designed for the ZP. So far, this is in the realm of dreams.

This is not confined to the one sector of drinking water. In a sector like primary education, the data position is even more complicated, for there are eleven different departments of the State government that operate at the district level. Money may be available, but it has to be spent in a particular way through a particular department. And at the end of it all, we find that the annual expenditure [excluding salaries] on each child enrolled in school in Karnataka is just seven rupees²⁴. It is this low figure that is disturbing - but it is difficult to get the information to prove such issues - because the system makes it difficult. How, for example, would the public react if this fact was better known? Should it not be better known?

Please note the big difference between the outlays²⁵ in the budgets, and the actual expenditures as certified by the Accountant General. Even the units used are not uniform²⁶. Please note the big delay in getting the audited statements. I am confident that the picture in other districts - and states too - is not materially different. It is difficult to plan in this situation. We have a long way to go to improve the system. But how?

III

Are "untied" funds available to panchayats? Would that help the decision making process in taking into account local needs and priorities?

There is little by way of untied funds at any level of the panchayat system. This is the fact at the ground level. The reasons for this may need to be discussed. One is the attitude of governments at the higher level. This means that money is available for "approved" schemes. This is democracy stood on its head. Local needs then must first be approved at a higher level if money is to be made available. But who gives this approval? Is it the bureaucracy? If so, does it impose conditions? And if so, is that correct?

Local needs and priorities are more talked about than practised. For one thing, the gram sabhas are where these can be identified and prioritised, and they rarely meet. Except in Kerala, where the gram sabhas have been mobilised by the State Planning Board in a systematic manner²⁷, these gram sabhas²⁸, the basic units of democracy, play almost no role today. Thus, the understanding of local priorities in practice means listening to the local MLAs. The role of the MLA in these bodies has to be made clear. Not only are there different practices across the states, over time in a given state, things have been changing too.

There are practical problems in implementing projects. Consider the case of drinking water schemes in Karnataka. There can be little doubt that these are important, or that they have the support of local people. Yet, when it comes to setting up a drinking water system for a village many problems crop up. Although the scheme is approved, and the designs etc are decided upon by the appropriate government department - Public Health Engineering. The delegation of powers may not be suited for the speedy implementation of the project²⁹. The process is cumbersome. It has built-in delays that often lead to large cost and time over-runs. The introduction of local bodies has not been accompanied by a redesign of administrative systems³⁰. This has to be undertaken urgently. But we must not rush in either, because there is little idea of what an appropriate system is. A great deal of work has to be done first. I am not sure it has even begun.

There are however, some positive experiences³¹ where the lack of untied funds has not come in the way of locally important projects being implemented. In Madhya Pradesh, as part of the Rajiv Gandhi Literacy Mission, those elected to gram panchayats were involved in a survey of the enrolment status of children in their constituencies. This resulted in the finding that there were many children who simply did not enrol in school because of specific problems of access. The state government then promised to set up a school [that met certain minimum standards] in 90 days if the panchayat could identify at least 25 children [in a tribal area] who wanted to go to school, and if it took the responsibility for finding a place for the school, and for supervising the work of a school teacher. This resulted in the Education Guarantee Scheme, under which 17,000 schools were set up in the first year in 35 districts. Funds did not stand in the way³². This is the kind of experience from which there is much to learn on how local needs can be identified and met, whether the local bodies have untied funds or not. But what is the lesson we have to learn? It is too early to say - we need more experience of what is going on.

IV

What are the elements of accountability in this system? To whom should the system be accountable?

The idea of accountability has to be understood better. There is in one sense, accountability in any government process. This is to a higher level of government, and is seen in terms of adherence to set procedures. In this system, officials are responsible to a "higher" authority, often not in the district. Further, there is an elaborate audit system, which is supposed to ensure accountability. There is also the local fund auditor, who scares local officials, and often is the cause for no expenditure at all taking place. But what about elected representatives at this level? Are they to answer to their electorate, or function according to the norms set by officials? Clarity on these matters is critical.

It must also be noted that it is possible to follow all procedures and yet for nothing [or little] to be achieved³³. We are aware of the situation in which contracts are awarded, work is done on paper and in files, and nothing exists in the field³⁴. Accountability must go beyond this kind of procedural routine that does not prevent moral hazard problems.

It must be accepted that there can be a great deal of improvement in this matter. The K.S. Krishnaswamy Committee which reviewed the functioning of the 1983 system pointed out many ways in which the very existence of local government made a difference to the efficient functioning of local services. With the reduced powers of these bodies in the 1993 Act, there has been some reduction in this matter. But, and this is important as the Committee itself points out, this is impressionistic, based on some visits and not on a rigorous study. We need to establish our facts more credibly here. But there is reason for hope.

However, the point remains that many decisions depend upon the Bangalore based line departments. It is to their departmental bosses that the district officials are responsible – and not to the local ZP representatives. In fact officials of different departments communicate little at the district level. Thus there is no co-ordination whatever³⁵. It is simply impossible for various programmes to benefit from any synergy. I do not know whether this is inherent in the design of the administrative system or is the unhelpful attitude of local officials and politicians. Until that attitude changes, we cannot expect local accountability to be real. How is this change to be brought about?

There is also the confusion about the roles of the different kinds of elected representatives. After many years, the relative roles of the MP and the MLA have become clear. But what about the roles of the MLA and those elected to the panchayat at different levels? Should MLA be members of the zilla panchayat as in Karnataka? Why? Should they not concentrate on what the constitution has reserved for the state assembly? Even if we say Yes, the fact remains that MLAs would like to influence decisions at the ZP level. They would like to be part of the process of patronage that unfortunately is so important to the elected official. In Karnataka, there has been conflict between the MLA and the panchayat members³⁶. This needs to be sorted out if lines of accountability are to be clearly drawn.

If accountability is to be taken seriously, then at least two things must be done. Gram sabhas must meet regularly, and get reports of what is happening at higher levels. They must have information, in easily understandable form. It is here that beneficiaries of schemes should be identified; it is here that priorities between different requirements – choices between a new school building and a primary health centre, for example – must be set. And all those elected at the different levels – especially the women – must be trained in skills like basic accounting. There is probably need for many kinds of training. It must be provided to all of them. Capacity has to be built up. There is much to learn from Kerala here, but we must also acknowledge that it will not be simple to replicate – Kerala has many unique characteristics.

We can also ask a question. Given that audit here is the responsibility of the Accountant General, and given the problems that face this office, why can we not permit locally based chartered accountants to audit these bodies? This system works well enough in the corporate sector. This should not mean any reduction in the responsibility of statutory audit, but it can provide inputs to such audit and reduce the time lags in the current process. This in itself would lead to an improvement. Our total reliance on state systems, on the twin assumption that the state is by definition good and the private by definition bad, has to be questioned in the light of experience.

V

Are there any constraints to local resource mobilisation? Before proceeding further we may note that there seem to be insurmountable constraints to resource mobilisation at all levels - and not necessarily in our country alone.

The State Finance Commission³⁷ in Karnataka has argued that a major constraint to mobilisation of finances, especially from taxes, is the fact that these bodies are too close to the tax payers. This makes collection difficult in the local social environment. For example, very little is collected from property tax, which is reserved for local bodies. This view effectively goes back to the kind of concerns expressed by Dr Ambedkar many years ago.

There is also the legal problem. Property tax is to be assessed on what is called rateable value. There are many legal judgements on this matter. For one thing, this rateable value is way below the market price. For another, there are no objective criteria for fixing it - it is discretionary on the local bureaucracy. We have to think of other ways of valuation³⁸ before much can be expected from this tax.

One point could be that there are not many sources of tax revenue at this level. Another has to do with the tax potential of the state and country as a whole. The larger state system cannot wish away its responsibilities in a federal set up. This question must not be discussed as if it is a specific problem of local governments. The Union and states are both short of tax revenues. This is a complex totality. The country must have a wide base for direct taxes³⁹ - only then will enough be collected for the various demands on the public purse. And the revenue deficit must also be controlled with a check on meaningless expenditure. It is not a simple local level problem. The solution cannot be a local level one as this question implies.

There is also the question of the productivity of projects. Every rupee should be efficiently spent. This means both efficient management and control on corruption. There is no point in mobilising funds if they are frittered away. Why should citizens contribute to projects in such a situation? This aspect must therefore be tackled immediately.

We must also ask what the capabilities of our people are. The truth is they are very low. While there is a need for extensive investments in almost all areas, can we implement them with our human resources? Given the abysmal levels of poverty, education and nutrition, how “employable” are our people⁴⁰? Is it not true that there is a big shortage in every area that demands any kind of skill? Until we do something about this, how far can we go in improving efficiency? And once the basic problem is tackled, there will be an explosion of creativity and innovation. But how do we bring about such a situation?

We have usually interpreted the term “resource” as finance. Every district has natural resources. But there is very little information locally available about what they are and how they can be exploited. The Govt of India has a programme called NRDMS - Natural Resource Data Management System - which is intended to pull together all information about soil, water, roads etc, in a simple easy to use format. I have seen the NRDMS in Dharwad, and it has useful information. But it has to be used. There are two problems here. One is that those who collect the data are not the users. They thus do not what exactly they should collect and process. The second is that the concerned departments treat this data as confidential - even from other officials.

Such information has to be placed before the local people and their representatives⁴¹. It is here that we lag behind. If that can be done, ideas to go forward will, I am sure, not be lacking.

Let me give one example. Nelamangala taluk in Bangalore district has some lakes. The water here has been reserved for the use of Bangalore - by an anonymous State Government. If Nelamangala cannot use its water for its own development, should not Bangalore pay the taluk some thing for its resource? This question may open up a Pandora’s box - but for how long can we keep such matters closed to rational debate?

The cynical person may ask if there is indeed a shortage of resources. Consider this case. Everyone agrees that primary education is important, and must be given the utmost priority. But look at the situation in Dharwad. In only a single year since 1987-88 has the zilla panchayat spent what was allotted for primary education. In that year, of the 86 lakhs allotted, 83 odd was spent. In 1988-89, the figures were 45 and 12.5; in 89-90, 63 and 43; in 90-91, it was 78 and 52; in 91-92, it was 152 and 101; in 92-93, 161 and 104; in 93-94, it was 344 and 171; and in the last year for which expenditure figures are available, 1994-95, it was 309 and 325. Of the eight years for which we have data, only in one did the district spend more than was allotted. Is the problem then a shortage of resources? Clearly not. There must be something else.

The data for health care in Bangalore (rural) show that government hospitals suffer from a shortage of doctors. When this is pointed out to the authorities - administrative or political - the response is that doctors are not willing to serve in rural areas. Yet, the same data show that there are several nursing homes that are thriving in the same rural areas. Surely they cannot function without qualified

doctors. But this means doctors are serving in rural areas. Is the problem with the doctors, or with the governmental system that cannot motivate them to work where they are required?

These data make us question many facile assumptions. Admittedly, one district does not a state, let alone a country, make. But then, it does raise a genuine issue for further debate. We need such information for every district. The system is a complex one in dire need of change. Basic to that would appear to be a simple truth - information must not be hidden.

The relationship between the State and local bodies cannot be a hierarchical one - it must be truly federal. It has to change, and it will when ZPs assert themselves. Co-ordination mechanisms have to be developed, and it is not desirable, in my view, to talk in terms of constitutional amendments in the beginning. What is to stop the Presidents of all the ZPs getting together in an Inter-District forum to discuss such matters? Is not mature negotiation the answer to such problems that face everyone?

VI

I would like to use this opportunity to bring to the attention of this group the recent suggestion by Professors Indira Rajaraman and M.J. Bhende about a new tax: a presumptive tax on agricultural crops to be levied by panchayats⁴². Their suggestion is that agricultural income tax is any way in the domain of the states. The states can therefore assign it to the panchayats without difficulty.

Rajaraman and Bhende have suggested a crop-specific presumptive levy to supplement the land revenue. Based on a quick survey in Dharwad district of Karnataka, they examined coverage of three crops. They suggest that at the national level there is no need for uniformity; exceptions for crop failure have been built in. For reasons to do with information availability, and amenability to jurisdictional demarcation, they suggest that the powers to levy both the presumptive supplementary and the basic land revenue be decentralised to panchayats. These proposals merit serious scrutiny in our context. For example at what level of the panchayat should this tax be operated? Only the GP has tax powers - is that the appropriate level for this tax?

We have to look carefully at the design of the different institutions. The discussion above has shown that the system is suffering from problems familiar to the economist - the free-rider problem, where one may benefit from a scheme without feeling the need to pay one's share; or the moral hazard problem where one can use one's office for personal benefits - to the detriment of the public. The literature on the new institutional economics has much to offer by way of insights. We need to design simple operational rules into the PRI system. Given the diversity of the country, there may be many appropriate designs.

In Karnataka, it is likely that such a redesign will mean a reduction in the number of agencies that have been created over the years, often for good reason⁴³. These bodies today cramp the legitimate space that panchayats require. How this is to be done requires careful thought - and sensitive implementation.

Much will be learned by experimenting in different parts of India and at different levels of the PRIs. This has to be taken up consciously and with real earnest. Only a large systematic effort, involving many institutions working together, will yield the desired results. There is much work to be done.

Another important point is that of the availability of information⁴⁴. With all the goodwill in the world we have found it difficult to get the kind of information that is required - one reason may be because it is not systematically kept. Another may be because opacity suits those in office - it helps hide the ugly reality. This opening up will therefore not be easy. But the systematic collection and sharing of information will be a necessary condition for the success of local governments.

How can we contribute to this? There has been talk of a Freedom of Information Act. Would that be enough if the Official Secrets Act of colonial vintage is not repealed? How can the attitude of officialdom, used to secrecy, be changed?

Finally, how can we mobilise in a positive way the tremendous resources that are available in this country? We have colleges in each district. Why is it that the college teachers and their students have been unable to collect different kinds of local information? What is the role of the many different kinds of NGOs that exist in every corner of this land? If we can bring together such resources, then money will cease to be a problem. In this, the State, particularly as represented by Panchayats and Nagarpalikas, must, and will have to, play a major role. It is a huge challenge that we should welcome.

¹ This paper is in the nature of a progress report on an ongoing research project on "Devolution of Panchayat Finances" at TIDE Development Research Foundation. Some of this material was presented in two workshops organised by the National Institute of Rural Development and the World Bank, in Hyderabad on June 17 and 18th 1998 and in Delhi on June 25th and 26th 1998, and has benefited from the comments of participants there. The research team, besides myself, consists of Dr A Indira, Sashi, Kiran, Jaisimha and R. Thyagarajan. Contributions were made earlier by Anitha K and H.N. Naveen. We have received a great deal of co-operation from the elected members of the zilla panchayats of Dharwad and rural Bangalore who generously gave us time for extensive interviews, and to the officials of the two district administrations for sharing data and experience with us. Funding from the Ford Foundation is gratefully acknowledged. Having said all this, I must stress that responsibility for errors and opinions in this paper is mine alone.

² It is part of a long term programme of work on the Karnataka economy. Some of it has been reported in my Facets of Development - Studies in Karnataka, Rawat Publishers, Jaipur, 1997. It must be noted that there is a great deal of work on this subject in several institutions in Karnataka and elsewhere on this subject at this time.

³ See A. Indira, "The Economy of Bendagaluru" Lecture in the Zilla Panchayat, Rural Bangalore, June 16, 1998.

⁴ For some details, see my "The Economy of Dharwad: The Traverse to Development" Public Lecture at the Institution of Engineers, Dharwad, April 12, 1997.

⁵ A. Indira and Vinod Vyasulu, "Social Sector Expenditures in Karnataka" 1996. Unpublished manuscript.

⁶ These issues have been discussed in Shobha Raghuram, Heiko Sievers and Vinod Vyasulu [eds]: Structural Adjustment: Economy, Environment, Social Concerns, Macmillan, New Delhi, 1996.

⁷ Incidentally, these new arrangement, though initiated at about the same time, were not consciously part of the new economic policy. This has been discussed in my Crisis and Response - An Assessment of Economic Reforms, Madhyam Books, New Delhi, 1996.

⁸ The Tenth Finance Commission had, however, made some observations and tentative recommendations in this regard. This is an area that may require constitutional amendments and so it is essential to proceed with caution.

⁹ This was very much an integral part of what Sunil Khilnani has called The Idea of India, Hamish Hamilton, London, 1997.

¹⁰ This does not of course mean that there was no exploitation.

¹¹ The 42nd amendment to the Constitution formalised this. The 44th amendment did not undo all that the 44th amendment brought in.

¹² With time, a view developed that there was too much concentration of power in the Union. This became crystallised in what has come to be known as the debate on Centre-State relations, and it has been particularly strong in the context of financial relations. It is an interesting feature of this debate that the arguments marshalled to support a devolution of power from the Union to the states are resisted when it comes to further devolution to local levels.

¹³ Clearly, Karnataka was much more than old Mysore. Several parts of the state had a different history. It took a while for a Karnataka gestalt to develop. This is often forgotten in studies that comment on one aspect or the other of this state's recent experience. The unevenness one sees is in part due to the different starting points.

¹⁴ The Annual Confidential Report on the Chief Secretary's work was written by the ZP President. This was withdrawn in the later law.

¹⁵ This also is the case with the bill to reserve 1/3rd of the seats in state assemblies and parliament for women. Some things have to be said even if there is no will to implement them.

¹⁶ We may ask to what extent these bodies are government. They do not have police power, for example. This aspect we will step aside from in this paper.

¹⁷ There was also an amendment to the earlier Act in 1991. I mention this only to show that the local self government system has yet to settle down. We may also expect such churning to take place for some more time.

¹⁸ This may simply be the logic of fractions, rather than any social awareness. since you cannot have functional people. For example, at least 1/3rd of 12 means 5. This could have happened in many gram panchayats. Karnataka may not deserve any special credit for its treatment of women!

¹⁹ The Department of Women and Child Development, in co-operation with UNICEF and many professionals, conducted some innovative orientation programmes for women elected to gram sabhas. This has been documented in the programme called Gramsat. This was important in making these women realise that they too had a role to play in dealing with the finances of panchayats. It encouraged them to take part in these matters.

²⁰ This is a field in which thinking has become rigid around Gadgil formula type criteria. This may be fine at the level of devolution from the Union to the states, but is it appropriate at the panchayat level? Would not for example, the Human Development Index, or some variant of it, be a better criterion? These questions are only now beginning to be asked.

²¹ Our experience in Dharwad has been better than in rural Bangalore. Perhaps the latter is too close to the politics of the capital - or Dharwad is a happy exception to the normal rule.

²² Loc. cit. Clearly, however, much more is needed - and also much quicker.

²³ It has taken more than a year of work to get this information. And this, with the full co-operation of concerned! The fact is that the system is in disarray. We have to build before we can proceed further.

²⁴ Discussed in detail in the context of education in A Indira and Vinod Vyasulu, Education Finances: A District Level Study for the DPEP Karnataka. Unpublished, Bangalore 1997.

²⁵ The criteria on the basis of which the sums voted by the state assembly are divided among the different districts for the early 1990s, are not at all clear. For example, how do we get the amounts given in what are called the budget link documents?

²⁶ Discussed in some detail in a forthcoming paper by Pushkarni Panchmukhi.

²⁷ Personal communication from Professor I.S. Gulati, Deputy Chairman of the Kerala Planning Board. It is a fascinating experiment and a great learning opportunity for people from other states.

²⁸ These issues come out beautifully in a NFDC-UNICEF film called *Shanshodan*, directed by Govind Nihelani, which has just become available.

²⁹ Lucidly explained by J van Gruitheusen in connection with the Netherlands assisted drinking water project in Dharwad in the Balekundry memorial lecture at the Institute of Engineers in Dharwad, August 1996.

³⁰ I have discussed these issues in my "Rural [and other] Development Projects: The Question of Institutions" NIRD Foundation Day Seminar, 1 November 1997. Essay 1 in this volume.

³¹ R Gopalakrishna and Ameeta Sharma, The Education Guarantee Scheme, Govt of Madhya Pradesh, Bhopal, 1997.

³² It is interesting - and perhaps not unrelated - that these schools also provide a cheaper and more cost effective option to the regular government schools.

³³ There are a large number of reports from the CAG that make this point. Researchers could test the hypothesis that these delays are actually instances of good management, where the objective is to maximise the amount that can be "bled" out of a project while minimising the chances of getting caught!

³⁴ Consider the latest CAG report tabled in the Karnataka Legislature, for the year ending March 31, 1997 - civil, no 3. This report points out that decision making in the government is very slow. Delays in the completion of projects have led donors to withdraw aid - and this generally affects the district development sector. The report cites an instance where there was a twenty year delay, and a cost over run of 2508 per cent.

³⁵ This point also seems to emerge from the experience in Madhya Pradesh after its path breaking Human Development in MP effort, and the subsequent missions in literacy and watershed development. [Based on discussions with the concerned officials in Bhopal].

³⁶ The MLAs representing constituencies in Bangalore city have petitioned the Chief Minister to supersede the elected city corporation on the ground that the corporators are not letting MLAs do what they want. They seem to forget that city affairs are the legitimate responsibility of the corporation and its elected members.

³⁷ Govt of Karnataka, Report of the State Finance Commission [Chairman: Dr G. Thimmaiah] - Relating to Panchayat Raj Institutions [vol. 2] July 1996. Karnataka has experience with an earlier commission set up by Mr Ramakrishna Hegde, for the earlier system, chaired by R.M Honavar.

³⁸ The Bangalore Mahanagara Palike has been experimenting with a system of self assessment that gets around these problems. But it has not been able to implement it. And I do not know if this experiment from the urban world will apply to rural areas.

³⁹ In the last two or three years, a start seems to have been made. If indeed the scheme of giving out PANs works well, local authorities too may benefit.

⁴⁰ I have discussed some of these issues in my "The India Infrastructure Report: the "soft" dimensions" written for the UNDP, New Delhi, May 1997.

⁴¹ In Karnataka, under the initiative of the Centre for Ecological Sciences at the Indian Institute of Science, many villages have been encouraged to keep registers of local bioresources - biodiversity records. This information can be placed before the gram sabha, and made the foundation for local level project formulation. A lot has to be done to reach that stage.

⁴² Indira Rajaraman and M.J. Bhende, "A Land-Based Agricultural Presumptive Tax Designed for Levy by Panchayats" Economic and Political Weekly, April 4, 1998.

⁴³ I have discussed this issue in my paper prepared for the NIRD Foundation Day Seminar, November 1997. Essay 1 in this volume.

⁴⁴ I have referred to our work in Dharwad district of Karnataka. We tried to do similar work in Bangalore Rural district - and our experience with data has not been very happy. See A. Indira, "The Economy of Bendagaluru" unpublished, TIDE-DRF, Bangalore, 1998.

5.

PANCHAYAT FINANCES

Beloved Pupil! Tamed by thee,
Addish-, Subtrac-, Multiplica-tion,
Division, Fractions, Rule of Three,
Attest thy deft manipulation!

Then onward! Let the voice of Fame
From Age to Age repeat thy story,
Till thou hast won thyself a name
Exceeding even Euclid's glory.

Lewis Carroll.

1. Introduction

This paper reflects on the current position of the panchayat finances system in India. The discussion is not around budget numbers, trends, proportions and the like - it is about the gradually *decentralising* system in which panchayat finances are to be located today. To elaborate, what are the links of panchayats to other levels of government, both above and below for finances? How are they changing? Where do funds come from, and how are they spent? Who decides what is to be spent, and who controls spending? Are these systems and procedures changing in a way that promotes local autonomy? Is the panchayat truly local self government, or is it something else: the local representative of the state government? Is this difference important at all?

In other words, is the system that has been ushered in by the 73rd Constitutional amendment something radically different from that which has prevailed hitherto, or is it the old system dressed up in new clothes? We find both points of view in the literature¹, but very little of this literature has looked at this question from the side of finances². This may not be all that there is to an efficient panchayat system. But it is a necessary ingredient of a new kind of local government for this country, because of the fact that the impetus for local self government has not come from below - the people themselves. It has come from the top for various reasons — chief among them being the question of administrative efficiency. Local self government³ ought to be much more than just that.

True devolution [as opposed to cosmetic administrative change] to local governments may be said to take place only when *funds, functions and functionaries*⁴ are transferred to the appropriate level⁵ of local government. Such a transfer has to be made in substance, not in form only. And it has to go together - the mere transfer of funds without other changes may even worsen the situation. This paper explores this complex issue from the local finances aspect.

This issue becomes important and relevant because the panchayat system has been introduced from above, as it were, through a constitutional amendment less than ten years ago. In the Indian constitution, residual powers are with the union, not states and local bodies, as in the United States or Switzerland. This tends to favour the higher levels of government, which are also well established in comparison to the new panchayats. Those working to strengthen panchayats have, therefore, to constantly justify and defend their views and recommendations⁶. Why should a particular function be given to local bodies? The presumption is that local bodies are corrupt and inefficient.

Before the 73rd amendment, states had experimented with panchayats which they set up under Art 40 of the constitution - a Directive Principle which spoke of village republics. But this was a matter to be decided upon by the state government as it saw fit, and it was an arrangement that could be terminated by the state government whenever it chose⁷. After the 73rd amendment however, this third level of government has a legal status very similar to that of the state government itself. Panchayats cannot be superseded, and elections cannot be put off⁸, as has been the common practice in the past.

This has led to a number of changes becoming essential in all the states—and there has been varied experience in this regard. Some states that were in the vanguard ten years ago, like Karnataka, have regressed⁹, while others, like Madhya Pradesh¹⁰, have made rapid strides towards effective local government. Perhaps this is the first flush of enthusiasm - reality may break in later as happened in Karnataka. This remains to be seen. But the fact remains that progress is being made.

It may be noted that a state seemed to move forward only when the incumbent Chief Minister took an interest in decentralisation. In Karnataka, it was Ramakrishna Hegde and Abdul Nazir Sab who gave the necessary political support in the 1980s.

This has been a key factor in the rapid progress now being made in MP and UP--the personal commitment of Chief Ministers Digvijay Singh and Kalyan Singh to decentralisation. Such commitment has not been seen often. And the system regressed when the Chief Ministers so decided--till now Karnataka is the solitary example. Under both S Bangarappa and J. H. Patel, the system of regular elections took a knock. In other ways too the process of decentralisation began to face hurdles and blocks. Thus it would appear that local self government is still dependent on the patronage of the head of the state government. The system is still in the process of getting established. This also means that these changes cannot be considered irreversible: a point often forgotten in this debate.

This paper confines itself to the financial aspects of this complex question. First, the background to the question of financial devolution is discussed in Section 2. Then, in Section 3 some impressions from the states are presented. This is based on the experiences of Karnataka, Madhya Pradesh and Uttar Pradesh. Karnataka is a state that was a pioneer in this field, but which for many reasons has seen a retreat from panchayati raj. Madhya Pradesh has accepted panchayati raj after the constitutional amendment, and has been a leader in the 1990s. This state has some useful lessons to offer. Uttar Pradesh is a late convert to panchayati raj, but in the last one year it has made very rapid progress. This brief section on field experiences is followed in Section 4 by conclusions and recommendations.

2. Background to Local Finances

Before embarking on a discussion of panchayat finances, a few remarks of a prefacing nature are essential. First, the context requires that the background to state level finances, both in terms of constitutional mandates and practice over the years has to be discussed. Local bodies have been the outposts of state governments, and this cannot change overnight. This background is necessary because the problems of lower levels of government cannot be appreciated in vacuo. Second, there has been a centralising tendency in the Indian polity since Independence, and this has led to an overall mindset that works against local bodies exercising power. One way in which such local exercise of power can be checked or controlled is through the financial system. It is here that the bureaucracy can play an important role. This is a complex matter that will be discussed below.

The budgets of the union and state governments are presented to the Lok Sabha and the Vidhan Sabha under constitutional provisions.

The budgets of the states are presented to the Assemblies under Art 202. Under this Article, the Governor of a state is required to lay before the legislature every year a statement of receipts and expenditures for the financial year--April 1 to March 31. Other articles¹¹ that are relevant to the budget process are 204, 266 and 267. Basically, the state must have a Consolidated Fund for its revenues and expenditures, and this can only be operated on the basis of the Appropriation Act being passed by the Assembly. The funds of local bodies are included in the demands of different departments that implement the various schemes. Sometimes, supplementary budgets are presented, but the underlying process remains the same.

The state also has a Contingency Fund for emergencies. And finally, there is a Public Account in which the state acts as a banker. In the Public Account, the state deals with claims and receipts, such as from the Provident Fund. The various Reserve Funds of the state are shown in this Account. The state has no ownership on the Public Account, but acts as a receiving and disbursing agency. The approval of the legislature is not necessary here. Studies of the Public Account are few and far between¹².

It is the state government that is responsible for the finances of local bodies, be they urban or rural. Even today, many of the powers that have been given to local bodies are delegated powers, and the state government continues to retain overall responsibility in this matter. This means that suitable arrangements for the transfer of funds and their use become necessary after the 73rd amendment. In part, this has been looked after in part by the setting up of a state Finance Commission on lines similar to the one set up every five years by the union government¹³. In Art 280. In clause {3}, after sub-clause {b}, the following sub-clause has been added:

“{bb} The measures needed to augment the Consolidated Fund of a state to supplement the resources of the panchayats in the state on the basis of the recommendations made by the Finance Commission of the state.”

The powers, authority and responsibilities of the three levels of panchayats are laid down in Article 243G, 243 H, 243 I, and 243 Z of the Amendments. For finances, the key article is 243H, according to which the “Legislature of a state may, by law...” authorise the panchayats. Few things are mandatory in these articles. They leave a great deal of discretion to the state in what is to be passed on to the panchayats. Variety is to be expected in what actually happens. The system is evolving still.

The local bodies have some limited tax powers. These have been documented by Girglani [op cit, page 64-65]. It is worth quoting him in detail because such a list is often not easily available.

“The taxes or fees normally levied by the Gram Panchayat are: house tax, tax on cattle, tax on immovable property, tax on commercial crops, sanitation tax, drainage tax, tax on produce sold in the village [by weight or measurement], duty on transfer of property, tax on private “haats” or [market places], fee for house supply of water [Assam], tax on sale of firewood, thatch or bamboo [Assam], fees for conservancy, lighting tax, tax on slaughter houses, shops, pharmacies, tailoring, laundry, haircutting saloons, carpentry works and automobile workshops, tax on cultivable land left fallow, tax on collection of bones and hides, fees on fishing and fisheries, tea stalls, cart, carriages, share in sales proceeds of hats and ferries, licence fees on professional buyers, brokers and commission agents, fees on goods exposed for sale in any market, fees on *serais*, rest houses, camping sites, latrine tax, profit from execution of development works, octroi tax, tax on dogs, animals, boats, fees on markets and weekly bazars, fee on cart stand and tonga stand, special water rate for piped water, cess on land revenue, cess on water rate, special tax on adult males of the panchayat

for construction of public works of general utility [Haryana], fee for registration of animals sold, tax on bus stands, fees for grazing cattle, Terminal tin tax for any erection on a public street, fees for clearing of private and public cess pools, sales proceeds of dust, dirt, dung and refuse and carcasses, tax on bicycles, on animal drawn vehicles, non agricultural land tax, tax on cinemas, tax on hired vehicles, Teh bazari, tax on rent payable by Assami [Delhi] or a tax on the land revenue payable by Bhumidar [Delhi], addition excise duty on toddy trees, fee for the use of commercial land under the control of the panchayat, *chula* tax [Punjab] cess/surcharge on the tax/royalty on mines and minerals, payment by market committees, income from endowments and trusts, fisheries and ferries, leases of government property, net assessment on service incomes, part of fines imposed by magistrates, profession tax, seigniorage on sand, etc.

This is almost an exhaustive list...where some of these items are not levied...the government may like to keep it for itself”.

That few local panchayats collect any tax when this is the potential array of taxes available to them is in itself an interesting observation. Dependence on state governments has become the norm everywhere in India.

The system of accounts to be used is one approved by the Comptroller and Auditor General of India. This is a system that arranges all items under clear heads of expenditure with unambiguous codes. This system is uniform across the country. But as it stands today, the system has been defined only for the union and state governments. Thus, when it comes to panchayats, and local bodies, budget information is often not available in the appropriate form. Since it is not mandatory, accounts are kept as they evolved over time. Often it is not a system of double entry book-keeping. This makes budget analysis at this level rather complex.

This is the background in which the functioning of local finances may be seen in the states. Here we briefly look at three states.

3. State Experiences

We look at the question of financial decentralisation as a necessary aspect of the functioning of the PRI system. Here we look at the experiences of a pioneer state - Karnataka; a state which took up PRIs after the 73rd and 74th amendments - Madhya Pradesh; and a latecomer to this system, Uttar Pradesh. In each of these states, when panchayati raj was on the upswing, the Chief Ministers were in the forefront of the decentralisation movement.

3.1 Karnataka

When one looks at the progress of panchayati raj in Karnataka, it has been a case of “one step forward, one step back” all the time. From the pathbreaking legislation of 1983 to the retreat of 1992 was less than ten years. From the new law of 1993 to the current situation where elections to the gram panchayats have been postponed

because of the continual tinkering with the law has been barely five years. Karnataka, it would appear, has been a reluctant pioneer. It is a state which is desperately trying to turn the clock back - and has succeeded to some extent because the main beneficiaries of the PRI system - local politicians - did not realise what they, for a brief while had, and lost without a fight. But there have been some gradual gains¹⁴ in this on-off process.

What prevails today then, is an amalgam of the different systems that have fought for supremacy in the state's political firmament. This shows up very clearly in the financial devolution which is an adjunct of the political system.

Karnataka has vested administrative control of local officials in the Chief Executive Officer of the zilla panchayat. They are not under the control of the local elected body - as they used to be in the earlier law. They continue to be employees of the state government. The CEOs also have powers, defined in the recent law, to refer to the state government decisions of the ZP which they feel are not in tune with the law. The CEO is the nodal point of development effort in the district. One indicator of this lies in the fact that about 40% of the state's development budget is transferred to the zilla panchayats after the budget is passed each year. While the ZP may discuss the budget, it cannot act if the CEO disagrees with its decisions and decides to refer the matter to the state government.

When we speak of district budgets, it is difficult to find two sides - income and expenditure. While there is some tax power with the local bodies, very little by way of taxes is collected¹⁵. Thus they have very little by way of their own resources. They depend on devolutions from the state and central governments. Some have argued that the share of own funds to devolved funds would be an index of autonomy of the ZPs. Perhaps. But it must not be forgotten that the local bodies are entitled to a share in the tax and other revenues of the higher tiers of government. They are not beggars claiming some crumbs. Their share today is given in tied form - it is for untied funds that they must struggle. Thus share of tied funds to untied funds may be a better index of autonomy. Today it is quite adverse.

This information on district allocations is contained in a document called the Link Document of the state budget. This Link document gives information on what has been allocated to these bodies after the passing of the budget by the state assembly.

This figure is treated as the *income* side of the district budget. The *expenditure* side is obtained from the ZP office after audit by the Accountant General has been completed. This often takes a long time, so the data is not for the current year. It is often delayed by about three years. This in itself reduces its utility. It is sometimes conducted on a sample basis - an estimate of standard error is needed, but not available. This will be an important research subject in the near future.

A study of ZP budgets in two districts has shown that often the money allocated is not spent. We refer, for example, to the study of Dharwad, for Medical and Public Health and Education at the TIDE-DRF¹⁶. We have to be careful and note that the

experience of one district cannot be definitive for the state. We tried to collect such information for Bangalore [Rural] district as well, but we have not been able to access it¹⁷. Thus access to information is also a serious problem in studying local finances.

But we can perhaps say that, money per se, is not [at any rate a major] constraint on local development efforts¹⁸. When we asked why money remained unspent, we got interesting answers. Money is allocated in different schemes, and can only be spent in specific ways after specific approvals. There is no flexibility in the system. If a particular scheme is for some reason not relevant in a district, the money cannot be channelled elsewhere. It lapses. If the amount to be spent is over a certain modest limit, then approval has to be sought from the competent authority—which is often at the state level. This takes time, and leads to time over-runs—and then cost over-runs. Thus, the local body is a channel for directing expenditure, but it has no discretion. The result is that money allocated may not get spent. If this is to change, then flexibility at the local level is essential.

Also, not much may be designed to be spent at the local level. The state HDR gives a figure of one thousand three hundred rupees for the annual per child expenditure on primary education¹⁹. Of this, 90% is on salaries. In a study of education finances at the district level²⁰, we found that, excluding salaries, only seven rupees per year is spent at this level. If this is not fully spent, perhaps it does not make much difference! But if the major chunk of expenditure in a district is undertaken by department outside the purview of local elected bodies, then what kind of local government have we built up?

Thus, the state spends on these subject much more than would appear from a scrutiny of the district budgets. The point is made that we should not draw conclusions about what is being spent in a district from the panchayat figures. This may be true, but then the question arises: what is devolved? What role do these elected bodies play in the budget arena? Why is the money not being devolved? What advantages are there to this system? What are the advantages of centralised operation? The novelty lies in these questions being asked.

What we find is that funds are routed through the local bodies. The administrative procedures for reapportioning, approval etc are complex, and at a level above the district. The political bodies do not have much say in these decisions. It is the state assembly that passes these budgets, and the cabinet and the civil service that operates them. This is at best limited decentralisation.

To talk of self government in Karnataka then, is not correct. Of funds, functions and functionaries, none is fully at the district level in Karnataka. It is a case of change in form, not substance. This is a state that has felt the effects of a backlash to a quick opening up. What lessons does this hold for other states?

3.2 Madhya Pradesh

Madhya Pradesh has undoubtedly been the pioneer in the panchayati raj movement after the 73rd amendment was passed²¹. Elections were held in 1993-94, and the second round has just been announced.

In 1995, MP released the first sub-national Human Development Report done anywhere in the world. This document revealed the status of each district in relation to the other; it showed the low level of achievements in the social sector of MP. It made the government machinery conscious of the poor state of statistics in the state. And it led to politicians of all parties using the HDR to bolster their demands. It created a factual basis for debate to take place. It laid the groundwork for much of the change that the state has seen since 1995. And it provides a medium by which the state can monitor progress in these matters over time. The second report released in 1998 brings to the fore the role of local governments in this process.

Those elected to these bodies have been involved in development projects from the beginning. The state government's Rajiv Gandhi Missions in the social sector were all implemented through the panchayat system. One example should illustrate how these missions worked. They are central to the work of PRIs in MP.

In the first phase, the elected members were involved in an educational survey in what came to be known as the Lok Sampark Abhiyan. Based on the findings, the state responded with an Education Guarantee Scheme in which the key actor was the panchayat. It was the panchayat that had to generate a demand for education. The state would then respond. The panchayat then had to work with the state in meeting that demand. The idea was a partnership between state and community in which the elected panchayat played a key role.

If a panchayat which had a minimum number of children who wished to go to school, and no school was available within a kilometre, then a school would be set up in 90 days if: the panchayat provided space for the school and identified a guruji — who had passed the 12th standard. The guruji, who would be supervised by the sarpanch, would be trained by the state and begin functioning within 90 days. The money for his salary, for the requirements of the school according to norms, would be released to the panchayat account. It was to be operated on the joint signature of the sarpanch and the secretary of the panchayat - an official.

The approval for the setting up of the school would come from the janpad panchayat - the next level in the hierarchy of local government, and an elected body in itself. The functioning of the school would be supervised by the janpad panchayat. About 20,000 such schools have been opened in the three years after the guarantee was announced. Today the GOMP claims that access to schools is not a problem in the state²². Funds were never a constraint in implementing this scheme.

This model is now being built upon for the next step in primary education²³. "A model that the GOMP is now proposing centres on communities coming together to demand literacy and get it. It seeks to give agency to the people to organise first based on their shared identity as non-literates and shared need as wanting literacy.

People come together in groups of twenty to thirty as “Padhna Badhna Samitis” and identify any local resident who can teach them....The samiti gives the names of the learners and the name of the teacher who has consented to teach them to a nodal unit which exists as the Jan Shiksha Kendra between four to five villages. These JSKs are the renamed Cluster resource Centre of the primary education programme currently addressing only issues of academic support to primary schools....The district administration merely registers the demand, satisfies itself regarding the qualifications of the teacher and provides training and teaching/learning material. There are today three primers for total literacy marking three levels of learning achievements. Using these three levels, the administration arranges to organise evaluation tests. After the third primer people go through the final evaluation and based on the number of people who clear the test, a *gurudakshina* at the rate of Rs 100 per student is paid to the teacher who has taught them... Here the government through the district administration and the critical unit of the JSK becomes only an agency that registers the demand, provides the training, does the evaluation and arranges funds to be given as the *gurudakshina*... The panchayat system is involved to promote the setting up of the Padhna Badhana Samiti in the villages of each panchayat.”

This gives an idea of the structural shift being attempted. Funding is then a means to facilitate a larger change in the way government functions.

So far as finances are concerned, the state has begun exercises to devolve more of departmental funds to the panchayats, apart from the shares recommended by the Finance Commission. Each department has been asked to identify the local component and transfer it to the district account. An allocation of functions has been worked out across the three local levels, and funds go to the appropriate level automatically. Officials are also being transferred to work at this level.

Under the 74th amendment, there is a provision for a District Planning Committee. The state has constituted a DPC in all the districts. The composition is in accordance with the provisions of the 74th amendment. A minister in the state government has been given district charge—there is one for each district—and he is the chairman of the DPC. He is the link between the two levels of government. He answers to the cabinet in the state assembly on the one hand, and to the local authorities on the other. The DPC has been empowered to take decisions up to three crores of rupees at its level. Thus the powers have been devolved substantially to local levels. For example, primary education has been handed over to the districts. This is referred to locally as the district government.

The state is also in the process of developing a coding system for local finances. Just as the CAG has approved a system for the state, MP is planning a Part 3 document for the state budget which will give all information about the district and lower levels in the same format. At the moment, discussions are underway with the CAG to get approval for this system²⁴.

Once that approval is obtained, this part 3 will be a part of the state government's budget presented annually to the Assembly. It will enable one to trace expenditures all the way down to the gram, panchayat by item. Discussions on

expenditures, on promises made, can take place at the local level on the basis of facts and figures. It will be a major change in the way things are done today. I have been assured that next year's budget will include this innovation.

In the first year, the figures will be what the departments have decided, in the old process. But over the years, the district governments will be in a position to send in their priorities, which will be used in framing the budgets. A process is about to begin in which, for the first time, local priorities will play a role in what is decided upon. The process of transferring funds, functions and functionaries has been initiated. This means a downsizing of the state government as it exists today. We have to see how the system will respond to the backlash that may be expected. But a step forward has been taken.

If things work out as planned, this will be an important step in making local government more meaningful in India.

3.3 Uttar Pradesh

UP is the most recent convert to the decentralisation bandwagon. The reason could be the fiscal crisis of the state, which has left it with no other alternative. Be that as it may in the past one year, major steps have been taken to foster local self government²⁵.

"The State government with a view to bringing in a sustained process of decentralisation and people's participation in 1999-2000, have accordingly devolved a large number of more specific functions and powers to Panchayats to enable them to play their rightful role in the process of development" [page 105]. Along with functions, assets and funds have also been devolved. School buildings will from now on be the assets of the gram panchayats. Teachers and others will work under the control of the gram panchayats. Funds required for construction, maintenance etc will be directly given to the gram panchayats. Just as the state has a Consolidated Fund, each panchayat will have a Gram Nidhi—its own consolidated fund, and it will be operated in the same way.

Like other states, UP has been implementing development and social sector projects at the state level. The change of heart now may have something to do with the fiscal crisis of the state, and the consequent need to use available funds more efficiently. It could have something to do with political compulsions: devolving powers may both take pressure off the Chief Minister and build a new base of support for him. Be that as it may, in the last year a number of functions have been transferred to Gram [village] and Kshetra [taluk or intermediate] panchayats in UP.

The Gram panchayats have been given the responsibility for primary education, state tube wells, handpumps, youth welfare, medical and health, woman and child development, animal husbandry, fair price shops, agriculture, rural development and panchayati raj. For all these functions, funds are being handed over to the gram nidhi, which will be operated by the pradhan and the secretary jointly. The staff are

also being put under the control of the panchayat. The powers are being given, not to the president or an office bearer, but to the panchayat as a whole. It can act after meetings in which the issues are debated and decided. Given the reservations for weaker sections and women, these groups should have a voice in decision making. At least the structure is meant to facilitate this.

Further, sanction and disbursement of pensions will now be handled by gram panchayats. So also will the distribution of scholarships, which will be done by the education committee of the GP.

The financial powers are substantial. First, "all assets which are related to the functions given to the GPs and located in the village will be transferred to the gram panchayats on a date to be fixed by the district magistrate after wide publicity in this regard. The amount which was so far being spent by the concerning department on maintenance of these assets will be given directly to gram panchayats." Further,

- * funds will be provided to the gram panchayat for those works which have been transferred to them.
- * Funds would be provided by government for the maintenance of assets transferred to them
- * Funds would be provided to the GP for paying salary of the staff transferred to them.
- * Funds for payment of honorarium to teachers and new staff appointed by the GP would be provided to them
- * Besides funds given for execution of functions transferred to them, these institutions are also being given directly a four per cent share in the total tax revenue of the state for the development of the villages.

UP is the first state to have committed itself to a non-discretionary transfer of funds. This has led to substantial resources becoming avail to the GPs in recent years. In 1996-97, the GPs got Rs 20 crores. In 1997-98, it rose to Rs 255 crores. In 1999-2000, it is expected to be 328 crores of rupees - this the devolution of 4% of tax revenues.

Apart from this, rural development funds are being transferred to gram panchayats, as also funds as per the recommendations of the Central Tenth Finance Commission. The total for 1999-2000 is expected to be 1 100 crores of rupees. This is a substantial amount.

The GPs have also been empowered to collect irrigation tax and deposit the amount in the Gram nidhi. They can impose a surcharge on land revenue and keep the money in the gram nidhi.

Meetings of the GP are to be held on the second Wednesday of every month. Where women are pradhans, instructions have been given that their not attend any meeting. If they visit, this is to be recorded in a register, giving the reason for the visit. Whether such instructions are enough remains to be seen.

The GPs are expected to keep proper accounts, get them audited according to norms to be set by the state government, and to present these accounts in the gram sabhas every six months. All villagers in a gram sabha area have been given the right to demand and obtain any document for a, prescribed fee - a modest one of five rupees upto five pages, and a rupee per page beyond that.

In a similar way, kshetra panchayats—the intermediate level, have been given clear and defined powers, responsibilities and staff. All block level officers will come under this body, which will also be given funds to meet its responsibilities.

At the zilla panchayat level, the Pradhan has been made the Chairman of the DRDA. A chief Officer will be posted as its secretary to work with the Pradhan. The ZP will work through six committees, and it is the committees in which the powers are vested, not in the officers.

To co-ordinate work, the state has constituted District Planning Committees under the 74th amendment. Four-fifths of the members will be elected from among the ZP and municipalities of the district to the DPC, in an election organised by the state election commission. One fifth of the members will be nominated by the state government. This will include a minister from the council of ministers, who will chair the committee. The DPC will have a minimum of 20 and a maximum of 40 members. All MPs and MLAs of the district will be permanent invitees of the DPC. “After properly considering the developmental plans prepared by the ZPs and municipalities by taking into account their mutual interest, specially regional planning, share in water and other physical and natural resources and integrated infrastructure and environmental development, the DPC will finalise the district plan at the district level itself”.

What is very interesting about the UP model is that the district plan outlay of the district will be placed at the district level through the state budget. Sanctions will be given by the DPC at this level.

This is a new beginning towards decentralisation. It is expected to be operational in the year 2000-2001. Several steps have been taken, and more are contemplated. The future is being left to the people themselves, with checks for proper implementation. UP is far ahead of the others in its plans. This has been finalised only in August 1999. If there is no reversal, and if this can be pushed, it would appear that the other states will have to learn from Uttar Pradesh.

4. Conclusions and Recommendations

At the end of this quick review of the current state of decentralisation of local finances, what can we say?

First, decentralisation seems to take place when the state governments take an interest for some special reason. In Karnataka, in the first flush, it was the need to find an important issue to fight the union government with.

This resulted in far reaching legislation that perhaps its own proponents felt went too far. The result was a back lash in subsequent years from which the state has yet to recover. And in this process of the ups and downs of panchayati raj, the delegation of financial powers, and the actual transfer of funds played an important role in controlling the extent of decentralisation. Apart from higher level politicians, the local bureaucracy too resisted the process of decentralisation.

Second, the experience of Madhya Pradesh shows that a carefully thought out process of devolution, in which the panchayats are the vehicles through which a demand for social services is generated, begins to provide a base for a genuine local government. When the panchayat is a vehicle for airing demands, then a partnership is possible with the state government—but only if the state government responds positively. The first steps are crucial. Today in MP the system may last because the people have begun to see the benefits. This has also made it possible to go further, and use the district planning committee as a vehicle to institutionalise a decentralised form of development project implementation.

Third, the UP example tells us that change can be pushed through very quickly in times of crisis. It does not seem to be a coincidence that the kind of decentralisation the UP undertook was done at a time of fiscal crisis. That is when opportunities for experimentation open up—and UP has decided to do so in a decisive way. The challenge will be to keep the momentum going.

From all this, it would appear that several things still remain to be done.

The lead given by MP of having a part 3 to the state budget, must be followed up. If MP gets the approval of the CAG to its system of accounts, then that is a model other states can accept. It should be put into operation everywhere. This will be a massive operation. Finance departments in all the states will have to gear up to the change. Other government departments will have to adapt to the new reality—from the departments of panchayati raj to the directorate of economic surveys and statistics. Information will have to flow in different ways, and be used in different ways and at different speeds. The complexities of this should not be under-estimated.

Pending the adoption of this model of budgets, access to information has to be ensured. In Karnataka, we found that there are many hurdles to getting information. It is not just a question of obtaining permission from senior officers—that is not difficult. It is the structure of government functioning in which facts are normally kept from the citizen—especially the poor and illiterate one. This attitude will not be easy to change, especially in the lower bureaucracy.

Sometimes we wondered if all the information was indeed available! This we suspect will be a struggle for all. It is easy to make abstract promises about the freedom of information. But to actually share budget information, which can be used to criticise the government will not be easy. Both UP and MP are promising that such information will be easily accessible. The experience of Karnataka tells us that this is a battle to be fought continuously. But as people demand information and use it, it

will also become easier to get. One reason it is easy for officials to refuse requests is because till now such information has not been demanded.

There are some other steps that seem desirable. If indeed functions, funds, powers and functionaries are devolved, then it will be necessary to put in place a certain discipline. As in UP, plans, budgets and accounts must be presented at all levels of the decentralised system. In UP, the system asks for six monthly presentations of accounts to the gram sabha. This is a wonderful idea, but we have to see how it works. What is the gram sabha? Is it one meeting of all the people living in the area of a GP? Or is it a meeting in each hamlet that constitutes a GP? Will they be held in a way that will enable women to participate freely? There are many questions that still need an answer.

At the district level, a beginning has to be made by having a district budget presented to the zilla panchayat. Today, the ZP may have no powers to amend it. But it should be discussed, and perhaps monitored by the ZP members in a systematic way. Once presented, regular reports should be given. Eventually, the DPC should be in a position to decide priorities and the state government must respond to these priorities. This will require a massive dose of technical training for the officials concerned. Many agencies will have to be mobilised for this task. We have a long way to go. Karnataka has yet to constitute the DPC! The leader has become the laggard.

Finances then, are the lubricant to the system. It is basic changes that are required in the panchayat system, and then the financial system, with some training, can facilitate the required changes. What we learn from the three states whose experiences we have looked at here is this: local government has to take root. It is process to be nurtured slowly. Financial devolution is like water - it can facilitate, or strangle, this process.

¹ See, for example, the voluminous literature published by the Institute of Social Sciences in New Delhi. In particular, George Mathew has contributed much to our understanding of this complex question.

² One of the few I have seen is by J.M. Girglani, "Financial Resources of panchayat Raj Institutions" in Amitava Mukherjee, [Editor], Decentralisation—Panchayats in the Nineties, Vikas Publishers, New Delhi, 1994. This is based on a seminar at the Lal Bahadur Shastri Academy of National Administration in June 1993. This is an erudite piece on this subject, written when the amendment was being passed. Much has happened since then. See Vinod Vyasulu, "Panchayati Raj in Karnataka: Some Issues for Discussion" Presentation at workshops organised by the National Institute of Rural Development and the World Bank, in Hyderabad, June 17-18, and New Delhi June 23-24, 1998, unpublished.

³ Vinod Vyasulu, "Panchayats: Voluntary Agencies or Local Self Government?" Paper presented at a seminar at the Centre for the Study of Culture and Society, Bangalore October 1998. Essay 2 in this volume.

⁴ I owe this happy phrase to Badal Das, Principal Secretary for Panchayati Raj in the Govt of Madhya Pradesh, Bhopal.

⁵ There is also the knotty question of what the appropriate level for different functions is. See T.R. Satish Chandran, "Inter-Tier Allocation of Functions", in Amitava Mukherjee, [ed], op cit. This is a separate issue we will not pursue in this paper.

⁶ See my article referred to in note 3 above, and V.M. Rao's article to which this is a response, for a flavour of these arguments.

⁷ As happened in Karnataka in 1992 when the Congress government ended the system introduced in 1987 by the Janata Government. This brought in a regime of appointed administrators, which, it has been argued, was far inferior from the point of view of both governance and development work.

⁸ To be more accurate, it is not so easy now, but it can be done. Karnataka postponed elections due in early 1999 under the pretext of redefining the boundaries when gram panchayats were merged to form bigger mandal panchayats.

⁹ See Anand Inbanathan, Panchayati Raj under the Administrators, ISS, and also K.S. Krishnaswamy, "Karnataka—Two Steps Backward" Economic and Political Weekly.

¹⁰ Vinod Vyasulu, "In the Wonderland of Primary Education" Report submitted to the Rajiv Gandhi Prathmic Siksha Mission, Bhopal, August 1997.

¹¹ This has been well discussed in S.S. Karnik, Essentials of the Budget Process of the State Government, Centre for Budget Studies, A Vidhayak Sansad Publication, Mumbai, 1998.

¹² The Development Research Group of the Reserve Bank has recently taken up such a study. The results are awaited.

¹³ The 73rd and 74th amendments led to corresponding changes in Art 280, dealing with the Central Finance Commissions. In the Eleventh Finance Commission, for the first time, panchayat finances have been referred to in the Terms of Reference of the commission.

¹⁴ Discussed in Poornima Vyasulu and Vinod Vyasulu, "Women in Panchayati Raj: Grassroots Democracy in India?" Paper prepared for an International Conference organised by the UNDP, New Delhi March 1999. Published in Economic and Political Weekly, December 1999.

¹⁵ The state Finance Commission felt that, being close to the people, the panchayat is not in a position to collect taxes.

¹⁶ TIDE Development Research Foundation, 1999, unpublished. TIDE-DRF has prepared papers for five important sectors in Dharwad and Bangalore [Rural] districts. The comments that follow are based on these reports.

¹⁷ Vinod Vyasulu and others, "Transparent and Accountable Administration at the Local Level" National workshop on Transparent Administration, sponsored by the DPAR, GOI and GOK, June 24 and 25, 1999, Bangalore.

¹⁸ This also came out in personal discussions with the Advisor for Panchayati Raj in the Planning Commission. The problems are often elsewhere.

¹⁹ GOK, Planning Department, Human Development in Karnataka, 1999. Available with UBS publishers, Bangalore for Rs 500/-.

²⁰ A. Indira and Vinod Vyasulu, "Education finances - A study in five districts", A report submitted to the District Primary Education Programme, GOK, 1997.

²¹ Useful sources are the two Human Development Reports, of 1995 and 1998, and the Report of the Committee of Secretaries constituted to suggest Procedures for Budgetary Provisions and Efficient Flow of Resources to Panchayat Raj institutions in Madhya Pradesh. Department of Panchayat Raj, Govt of Madhya Pradesh, Bhopal, 1997.

²² There is of course scepticism of the scheme. Vinod Raina complains that standards have been sacrificed, and that the state is abdicating its responsibility. But independent reviews have spoken of the success of the scheme on a number of parameters. The issue has been debated in the pages of the Economic and Political weekly. The reader has to make up her own mind.

²³ Amita Sharma and R Gopalakrishnan, "A New Strategy for the Total Literacy Campaign" Rajiv Gandhi Missions, Occasional Paper: Document 5, Bhopal, June 1999.

²⁴ Once approved, it is a system that all states can use.

²⁵ This section draws on my impressions from an informal discussion in Yojana Bhavan on 7 September, 1999, with a number of senior officials of the UP government concerned with the changes taking place. I have also drawn on the UP State Planning Commission's *Annual Plan 1999-2000*, [Vol 1, Part 1, Chapter 7], Lucknow, August 1999.

6.

**IN THE WONDERLAND
OF
PRIMARY EDUCATION**

Reflections
based on travels
in Betul and Raisen districts
of Madhya Pradesh

Humpty Dumpty took the book and looked at it carefully. "That seems to be done right—", he began.

"You're holding it upside down!" Alice interrupted.

"To be sure I was!" Humpty Dumpty said gaily, as she turned it round for him. "I thought it looked a little queer. As I was saying, that *seems* to be done right – though I haven't time to look it over thoroughly just now – and that shows that there are three hundred and sixty four days when you might get un-birthday presents—".

"Certainly," said Alice.

"And only *one* for birthday presents, you know. There's glory for you!"

"I don't know what you mean by 'glory,'" Alice said.

Humpty Dumpty smiled contemptuously. "Of course you don't – till I tell you. I meant 'there's a nice knock-down argument for you!'"

Lewis Carroll

The Rajiv Gandhi Siksha Mission of the Government of Madhya Pradesh gave me the opportunity of travelling for about ten days in July in the districts of Betul and Raisen looking at the state of primary education in these districts. This is a report of my reflections on what I saw and heard in this short trip.

I had heard a great deal about the efforts that Madhya Pradesh was making in the field of primary education. After the achievements of Kerala in literacy became well known, Madhya Pradesh had the misfortune of being classified, either contemptuously or humorously, as a BIMARU¹ – sick - state. This covered, among other things, the distressing status of primary education². The state was not only considered a non-performer³, but was, perhaps, not expected to perform at all! It was seen as a fetter [along with Bihar and UP] that was holding the rest of the country back. These efforts at promoting literacy were largely seen by a skeptical public as camouflage, as a public show, aimed solely at getting votes. Nothing more.

It was in this background that I heard of the Siksha Guarantee – the Madhya Pradesh government offered an Education Guarantee! Given the populist excesses of the last two decades, this seemed an even more brazen claim than usual in an unabashedly backward state. When states like Karnataka – generally considered more advanced - had managed to make only little progress in primary education, in spite of all the historical advantages they had, how could Madhya Pradesh even *presume* to offer such a guarantee? There was, to say the least, something suspicious in this announcement. There were many skeptics, including senior government officers, who reinforced this feeling. The government thought it could make fools of us all! The truth lay in the districts, not in the offices in Bhopal. One had to be careful to find it, that was all.

Thus, when I received an invitation to travel around the state and see the ground situation for myself, [and give my suggestions on how things could be improved], I jumped at the chance. I was happily surprised when no suggestions were made about where I should go, and what I should see. These people, it appeared, are cleverer than I thought! I chose then to visit Betul – because it adjoined Amravati in Maharashtra, where I had traveled in the past. And Raisen, close to Bhopal, perhaps offering the best of what the government hoped I would see. There was absolutely no objection to this choice of districts. There were others to visit other districts⁴. Within these districts, I was free to go where I chose, when I chose, and to see what I chose. A Tata Sumo was placed at my disposal. I was to set the terms of the travel.

Before visiting the districts, I was briefed in Bhopal. I met the co-coordinator of the Rajiv Gandhi Missions [R Gopalakrishnan], and the Director of the RGSM [Amita Sharma], and the State Project Director of the RGSM [Sanjay Jaju]. I was given the background figures; the documents on the EGS⁵; the annual work plan of the siksha mission. This was useful in getting a feel for what to expect.

What became clear at this stage was the following: Yes, Madhya Pradesh had a very poor literacy record – terrible if seen in gender terms. Existing information, in the form of enrolment data, suggested that a majority of children were attending school; the problem then must be with those who, for one reason or another, could not enroll in a school.

There were many families who could not send children to school at regular hours because of various reasons. These were, for example, families of migrants, who would move with the seasons. There were children who simply had to work if the family was to survive. There were older children, often girls, who did not feel

comfortable sitting in a class with children half their age. Some efforts had been made to set this right by the new concept of *vykalpic shalas* – alternative schools – ASs in this report. Flexibility is built into the design of these schools. It is an innovative idea, and a part of the RGSM.

The AS could function whenever the local community found it convenient – it set the school hours. The community decided when the holiday was to be taken, if at all. The village would provide space for the school. It would have two trained teachers, a man and a woman, who would in addition act as motivators for adult literacy drives in their villages⁶. These two were specially trained, and used an innovative teaching method that grouped children into *samuhas* – groups at a given level of learning⁷. Careful records were kept of each child's progress. As they progressed, children would move from one *samuha* to another at their own pace. To an extent, children taught each other. The AS was seen as a flexible option in such cases. Thus began the AS movement. I would be free to see how it worked.

Then came the exercise around the preparation of the sub-national, state level, MP Human Development Report, released in 1995⁸. This exercise revealed the shocking lack of information on the nature, size and scope of the problem. The basic question was simple: If enrollment was as high as the government figures suggested, then why was literacy so low?

The answer was sought in what came to be known as the LSA – the Lok Sampark Abhiyan. The 73rd amendment had just come into effect. Elections to panchayats at various levels had just taken place. There were now a large number of elected representatives at local levels, more than one-third of them women, waiting for some responsibility. The LSA mobilised them⁹. These representatives, along with school teachers, conducted a door to door survey on primary education. The LSA was a well organised effort¹⁰, with well designed questionnaires, appropriate training for those involved, arrangements for analysing the data collected at a reasonable pace, etc. Being politicians, these people knew who their voters were. The LSA located all families, and brought in data on the status of primary education. From this emerged the idea of a Village Education Register – now every village has one, updated every year by the sarpanch and the school teacher together.

The results from the LSA were interesting. It was not enrolment that was important, it was access to schools that was the problem. Madhya Pradesh has a particular pattern of habitations. The revenue villages used in the census do not capture these settlements accurately. A census village may have four or more *tolas*, *falias*, *dhanas* etc that are effectively independent habitations, sometimes four to five kilometers apart. In providing a school, in every revenue village, these *tolas* were generally missed out. Children did not go to school because they could not go to school. The problem was not just distance. Sometimes there would be a river in the middle, or some other such barrier difficult to cross. These barriers were especially difficult to surmount for the girl child. Access to school was the problem that had to be addressed.

The response of the government to this finding was the Education Guarantee Scheme. The Guarantee is as follows: If there was no school within one kilometre of any habitation – *tola*, *falia*, *dhana* or whatever; if there were 40 children who wanted to go to school [reduced to 25 in tribal areas]; if the gram panchayat after a meeting and discussion decided it wanted a school; if the panchayat was willing to provide space for the school to be run; if it could identify a local youth who had at least passed 10th class; if such a panchayat demanded from the government a school, then the government guaranteed that a school, with no compromise in the quality of education, would be set up within 90 days.

It was estimated that an EGS school would cost Rs 8,500 per year, excluding the community contribution¹¹. When the EGS was announced, financial allocations were made to the Department of Education from the general budget to see that financial constraints would not stand in the way.

The procedure was clearly laid down. A request from the panchayat would be made to the next higher level of local government – the janpad panchayat. The claims made would be verified here. If found to be correct, then a school would be approved. The teacher recommended by the sarpanch would be sent for training in the District Institute for Educational Training, where he would be made familiar with a specially developed package known as the Seekhna \Sikhana package. All this would be completed in 90 days. At the end of 90 days, a school would be working in the tola.

Some 18,000 such schools, I was told, were set up in the first year of the EGS. An elaborate system, with Cluster and Block Resource Centres, with village and cluster education committees, and with district level co-ordination was set up. Ideally, I was to look at all aspects of this system; it was up to me how I did it.

In Bhopal I was given a folder full of documents and data. To this was added elaborate documentation that I picked up in the two districts I visited. I went through this information, but it is dry statistics; and this report is not about that. My interest is in the social processes behind the statistics. I am not giving summaries of what is known to the RGSM authorities here because that would give consultants a bad name. To reproduce it here would be to carry steel to Bhilai. There is no need for that!

In this background, I spent July 20 to 24 in Betul and July 25 to 28 in Raisen. I was given a warm welcome by the RGSM staff. The District Project Co-ordinators of the Rajiv Gandhi Siksha Mission [S.P. Shrivastav in Betul and Ananth Gangola in Raisen] were very helpful, as were the two District Gender Co-ordinators - Mrs. Pachauri and Mrs. Gangola. We would decide each morning, with the help of a map, where we would go that day. The preference was for places off the beaten path, off the highways. There were many places we visited that could not be approached in a four wheel drive jeep. It would involve walking on open land from some point. There was no way in which schools or teachers could be warned of my visits.

The daily schedule was hectic. We would take off around nine in the morning, and spend the entire day in remote areas, returning to the rest houses late in the

evening. The best comment on the hectic and intense nature of the travels lies in the fact that when I got home, I fell ill from exhaustion for a week! This report was drafted after this interval, in the first week of August. Hopefully, it is less prone to momentary impressions, and more balanced in its judgements because of this passage of time.

In what follows, I present my finding and reflections. First I discuss my days in Betul; then in Raisen. I end the story with some general comments.

BETUL

I arrived in Betul on the 20th after a long drive from Bhopal – some six hours. After about two hours from Bhopal, the quality of the road deteriorated; one had to drive carefully. The recent rains had not done much to improve the situation, and I began to wonder if I could go to the really remote places. It was late in the evening when I reached the Circuit House, where I was met by the DPC, Shri S.P. Shrivastav. He told me there had been a lull in the rains, we could go just about anywhere. After some discussion, we agreed on the programme for the next day.

Betul is a large district¹², with many areas more than four or five hours drive from the district headquarters. A good part of the district has a tribal population. There were many areas that could not be approached by a vehicle because the roads were inadequate. Many were cutoff for several months during the monsoons. We decided to go to as many such places as possible in the time available. Fortunately, I was able to see every component of the RGSM at work in this district.

My travels in Betul included the following:

- Kotekhara – EGS school
- Barbatpur – SSK
- Sohagpur – SSK – also the additional room built
- Deharipathar—EGS school
- Silpati –PS
- Bordipanni – AS
- BRC Sahapur – Guruji Training
- BRC Ghoradongri
- CRC Meetin
- GondiDhana—EGS school
- Teledhana - AS
- Chicholi - EGS
- Mangaroti-AS
- CRC Nasizabad
- Kirkiya Dhana - EGS
- Tondarudhana - EGS school
- Malazpur - CRC
- Bhimpur –Kharadka dhana – EGS school
- AdarshDhonara – CRC meeting

Conter Kharkadhana –EGS
CAC+CRC meeting at Kurshna
Chicholi – BRC
Khedisawalgardh - CRC –VEC meeting
Mordadhana-AS
Kerpani – CRC
KorkooDhana - EGS
Gharlar CRC
Ramajidhana - NPS
Ojha dhana AS
Bhaisdehi - BRC
Salaibhatta - AS
Betul-DPO/MIS
Meeting with AC/APD
Betul-BRC
Golidhana - AS

I met the Collector of Betul, Shri K.S. Rai, in Bhopal¹³.

From the very first school that I saw, things were working well. I consider this a great success – that wherever I went, however remote the place, there was a working school. The surroundings varied – generally the school was run in a room given by one of the residents of the village. They were happy to make this contribution. Whether it was the guruji, the sarpanch, or the person who made space available, all thought of the school as theirs. This sense of ownership was remarkable.

The children looked cheerful. It was nice to see them smile as they sat in the school. Clearly, the school had its impact on them. They were generally well groomed, having come to school after taking a bath and combing their hair. They were anxious to show me their work, to show what they had learned. When it came to literacy and numeracy, there is no doubt that they have learned the basics well. The teachers did not interfere in any way. That they enjoyed being in school is in itself a major step forward.

But there are problems of poverty. Madhya Pradesh is known to be a poor state, and evidence of poverty was everywhere. I was told by some teachers that there were several girls who could not attend school because they had no clothes to wear. They were doing their best to remedy the situation by trying to find clothes for such children. That they had such a concern at all is also amazing. But this is something that has to be tackled at a higher level – poverty will be eliminated when society as a whole improves. It is enough for the moment that people concerned with schools were sensitive to this situation.

The gurujis were all local people. Most were young men – the sarpanchs tended to recommend unemployed men, but no one – not even the women - felt it was unfair. There were, anyway, some women gurujis too. They had all undergone training, and they handled their classes with tact and sympathy. All had a

wide vision of education – not as something that is confined to the classroom. And the sarpanchs, many of whom were themselves illiterate, kept in touch with them regularly. This close interaction between the two was a regular feature everywhere I went.

I found the teachers to be dedicated, and to be concerned with more than just teaching. Each and every teacher I met had records on each student. Each had visited every family in the village, and was in constant touch with the children's parents. Each had been trained in the seekhna/sikhana methodology [for the EGS schools], and was using it in his work. I found the children alert; they were smiling and cheerful. All were anxious to learn. It was good to see that girls as well as boys were attending the schools, and that they took an active part in the learning process. They were also concerned that education will not become a reality if links are not built at their level with other departments, like health. The teachers are taking the initiative in getting immunization officials to visit schools, and inoculate children. This is excellent co-ordination, and a good example of what local people can do if the opportunity is provided.

Not Education Alone

In one of the schools I visited, we found that about 20 children – half the total number – were sick. We reached in the evening, and the children had dispersed. Yet, when we arrived, they gathered together within fifteen minutes. It was clear from their faces they were not well. One boy had a huge lump on his head, which, to my untrained eye, looked frightening. The guruji had informed the village nurse – he showed us the letter he had sent. Yet, the village had a stoic air. You got the feeling that there is nothing unusual in sickness, that it is the will of God. There was little they could do.

The RGSM team I was with took a different view. They went into emergency mode. Apart from questioning the local people on the nature of the complaints, a message was sent to the local health authorities. The Nurse was contacted. She had the usual story of too much work. Her attitude was typically bureaucratic – she would visit the village the next day. But she was persuaded to go immediately. From the local police station a wireless message was sent to the Collector's office. The official machinery was put into motion; the DPC promised to keep track of the situation.

I realise that such situations keep cropping up. I realise that our visit to the village was a matter of luck. Yet, I was with RGSM officials whose concern is with the school. They did not let it stand in the way of dealing with the situation of sickness proactively. And this is one example of the positive attitude I saw displayed right through my visit. For education to become a reality, other things must work too – and these officials showed they understand this.

What is amazing is that the energy to promote primary education has come from the ordinary teachers. I was amazed to see the co-operation between the various district officials when it came to making education work. The local leaders – gram panchayat and janpad panchayat took an active interest in the working of the school. They were being given full support by the district officials. This harmonious working of the local

bureaucracy with the local political leadership was something I had not expected.

The system of interaction among teachers, throughout the cluster and block resource centres, seems to be very important. It is in this forum that experiences are exchanged between peers. They were all aware of the work of *Eklavya* in the field of teaching. All the BRCs I saw were active. The newsletter they all bring out is one expression of the interest they are taking in all matters related to education. But there is much more going on as well.

Tradition and History in Teaching

One of the important population groups in Betul district is the tribal one called Gohri-Dongri. These are gonds, who have a language and culture of their own. Often, many of them do not know Hindi. The teachers felt that education would be effective if it could be in their own language. But there was no material.

A group of teachers got together, under the initiative of Mr G.P. Sariyam, and brought out, after about a year's work, something they called a BLI – why? Anyway, this is a remarkable document. At one level it is a dictionary for commonly used Dongri and Hindi terms. At another, it is a documentation of the culture of the Dongri people, and it is through this that children are taught. Further, it documents the contributions made by people of that group and that area, to local history. All this is presented in a way that the teacher can use easily in a classroom. Thus it fosters pride in their identity, in who they are. Whether it is good teaching, whether it is the kind of output expected from primary school teachers, I do not know. I see it as excellent anthropology. And they showed it to me almost as an after thought – they were proud of their work, but did not give it any exaggerated importance. Had I done such work, I would have been making presentations in international conferences!

There are other dimensions to the RGSM. From savings made in the programme, it had been found possible to give the sum of Rs 50,000 to each school towards a building. This was transferred directly to their bank account. Each school – sarpanch and guruji – were told that it should be used towards materials; that they should encourage local contribution towards putting up a building. This has come forth in good measure. Everywhere I went, I saw villagers proudly working on their school building.

The MIS that I saw was up to date. It is at present being used to keep information that is passed on the RGSM in Bhopal. It could be used locally for further analysis – and it could be extended into a GIS that could help future planning. The potential exists. I am sure the capability exists at the local level as well – they may need some training and encouragement, but that is all.

Primary education has become a people's movement in this district. It can only go ahead from here.

Raisen

I arrived in Obaidullaganj block of Raisen on the 24th evening, after a direct drive from Raisen. I had a brief meeting with the BDO, Mr Dubey, and then met the BRC coordinator, Ms Richa Misra, and Mr Yadav. The DPC, Shri Ananth Gangola, joined us early the next morning. There had been a law and order problem in the district – in the industrial Mandideep area, there was communal tension. Later, we found communal tension in other parts of the district too – in remote Silvani as well.

There had been extensive rains in Raisen the week before. Fortunately there was a let up, and we could go anywhere. To my surprise, I found that Raisen district, parts of it not half an hour away from Bhopal, is in many ways more backward than Betul. Certainly, there are some really unapproachable places here.

The places I went to included the following:

Dhoopghata-AS
Ahmedpur-EGS
Karitabri- EGS
Hiramina-Sankul kendra
Keslavada-AS, VES
Jaith-EGS/VES
Gadha – AS/VES
DIET –Raisen – AS training, CEO, DDE, Principal meeting
Raisen Jail- literacy
Chilwaha – AS/training
Neema Kheda –AS
Camp No 5/Bhaghirathpur –AS
Neelgarh – remote village – school, overall development
Poniya – Addl work of VNS
Peepalwadi-AS
Baadi
Partalari-AS
Ahor-EGS / CRC
Kuvdeli-CRC
Silvani BRC
Indira Awas Colony -EGS
Gauratganj - Janpad meeting
Madrasi tola - EGS
DPC Raisen

Access and Location

Dhoopghata is a village that would not fit the description of "remote" in any normal sense. It is just 200 yards away from the major north-south railway line. It is less than half a kilometer from the national highway. Yet, it is difficult to approach.

I was puzzled when our jeep stopped beside a roadside dhaba, and my friends walked in – but not to eat. We went behind the dhaba, and followed a zigzag path that took us across a flooded field. It was thickly overgrown, and it was difficult to find our way through the quagmire. On the other side of this quagmire, so close to civilization as we know it, was a village of some 25 houses. These are quarry workers, all uneducated, with no access to any modern amenities. So close to an electrified railway, they had no power connection.

I found a school [AS] here. It was the only one I visited in which there was no teacher present – I forget the reason, but it was something quite legitimate. Yet the children were all in the school room – again, a room given by somebody in the village. They were quietly doing their lessons, guided by the older children, in the midst of the squalor called home. They used stones to demonstrate arithmetical operations to me – correctly.

At the other end of the village were some men, working on the school building. The foundation had come up. The labour was shramdaan – the money was being used for materials, by people who were giving up a day's wage to work free on this building. The walls were being built, and soon the roof would be laid. They planned to have it ready before the 15th of August. They told me that when I next visited, I would see the children studying in their own school building. They were so proud. It was interesting to see people so poor making such a contribution to their school.

What I saw in Betul was repeated in Raisen. Schools were working everywhere. Teachers were teaching, and interacting with each other to improve their work. I saw a training programme in progress at the DIET – teachers of the ASs were undergoing their second training programme. And the dedication with which they were at work was wonderful to see.

I saw a janpad panchayat in a meeting, deciding upon applications received to set up EGS schools. Of the two women who were members, one held an MA degree – and she was being treated with the utmost respect by all the others. They were deciding up the appointments of a guruji – and the criteria were

clear. A person from the tola; then from the village; then from the panchayat. And the one with the best marks in the last public examination. I could not have asked for greater objectivity.

I had two discussions with the Chief Executive Officer of the zilla panchayat, Mrs. Sudha Chaudhuri, IAS. She made no effort to me of the work being done. She was deeply interested in my observations, and keen to help the RGSM. In particular, she expressed an interest in documenting the experiences I had spoken of. It will be well worth the effort.

I saw in Raisen an interesting example of what the impact of literacy could be. It is a fascinating story. The issue is not just literacy, but human development.

From Camp No 5 to Bhaghiratpur

This village was simply known as Camp No 5. It consisted of people who were rehabilitated there after partition, when they migrated from Sindh. They belong to a community of liquor brewers, and this was what they had been doing for fifty years. All the problems of alcoholism plagued this village.

Then came the school. All the children, including the girls, were keen to study. After some months, they came to the realisation that liquor was behind the misery in the village. The men would get drunk and beat their wives. They would be thrown into the lock-up, and bribes had to be paid to get them released. It was essential that the men stopped drinking.

When the children asked their fathers to stop drinking, they were met with a laugh. The children got together with their mothers, and again made repeated requests that drinking be given up. Nothing happened.

Then the children got together. They took their mothers, and the school teacher, and worked collectively. When the men refused to stop drinking, they systematically broke the pots in which liquor was stored. They did this in every house in the village.

There was an uproar. The children were unrelenting. They broke liquor pots on several occasions. Eventually the men began to talk, and after some time promised to give up drinking. The women and children gave them the support they needed at this time.

Today there is no drinking in the village. Prohibition is self imposed. Things have improved, although they still live in poverty. But they have gained their self respect. Today, they have changed the name of their village from Camp No 5 to Bhagirathpur – with pride.

Everywhere in Raisen, I saw the contribution that people were making to the school building. In one village they were making a provision for a second floor. In Ahmedpur, I was told they were building a *mandir* for their children. In an area where these children will be first generation literates, older people thought of the school as a *mandir*!

Sharing Responsibility for Education

In one *sankul siksha samithi*, I was witness to an interesting incident. A man of middle age – a daily wage labourer - walked in. He produced the records for his son's education from the 1st to the 5th standard – the boy had passed them all. Why, he demanded, has my son failed in the 6th? He had taken a drink to perk up his courage, but ask questions he did. And he was met with courtesy. The teachers present produced the boy's record in the 6th standard, as well as his answer sheets in the examinations. The boy had not been attending classes; he would come in the morning, and then go off to play cricket. When I was a student here, you would beat sense into me, the father said. Why did you not beat my son? He was told that beating was no longer an acceptable practice in schools. There was an animated discussion between the father and the teachers. The boy was called in and counseled. Everyone was serious about this process of discussion and conscious of its importance.

This process of interaction between parents and teachers bodes well for primary education in Raisen – and Madhya Pradesh.

People spoke with pride of the way their children were being educated. One school teacher, a lame man, told me how important it was to soon build toilets for the girls. It was unexpected for me to see, across the district, the pride people were taking in their daughter's education. One sarpanch introduced his daughter to me, with a request for *ashirwad* because she was going to take her 12th standard examinations soon. I do not know if this is typical of MP – but I saw a gender sensitivity I did not expect. I saw it in men, and that means a great deal over the long run. I do not, frankly, understand this. How – why - is MP so different from other states? More work is needed to understand this change I saw.

A number of people – teachers mainly – asked if the EGS school would be upgraded to middle schools. I was why they were concerned about this. And they said, "Look, all our children are now in primary school. Soon, they will finish fifth standard. Where then will they go? This school will have to be upgraded." The concern is not now with elementary education. Their appetite has been whetted, and they – justifiably - want more. The success of this programme means that Madhya Pradesh will have to plan for middle level education – and begin to plan now. That is not part of what I went to look at, but it is something that will have to be planned for by the concerned authorities. I am delighted at how success feeds on itself!

Reflections

There were interesting differences in the two districts I visited. It is not my intention to rank them, or to award marks. I am only noting what I saw. But first, the similarities – starting with success in primary education as a process of learning.

The positive things that I saw in these districts would be difficult to understand if there was no basic change of attitudes and values in ordinary people. Something has happened which has made ordinary folk in rural Madhya Pradesh value education – all the more remarkable because they themselves lack it¹⁴. But such a change has occurred and it is on this base that the RGSM has worked.

Literacy and Change in Jail

Even before this all out effort through the Education Guarantee Scheme, efforts at literacy had been made in the state. An interesting story is told in Raisen Jail that illustrates this point. An undertrial prisoner, when produced before the Judge, had to use his fingerpoints on the chargesheet. Some 3 months later, when his case came up for hearing, he proudly signed his name. The Judge asked if he had always been literate. The prisoner said, no, he had simply availed of the opportunity of literacy classes in the jail. The Literacy Mission had made an effort to educate prisoners - the Judge is reported to have sent a letter of appreciation to the jailer.

This is not the end of the story. A group of tribal women were persuaded to visit the prison, and tie rakhis on these hardened prisoners. Culturally, this is a sign of acceptance - the prisoners are reported to have wept. Many are reported to have changed their behaviour, and to keep links with their Rakhi sisters. The point is that literacy seems to have been seen as one part of a larger package of social reform. How widespread this is, I do not know. But it suggests important changes in values in society - it is these changes that have led to education being given value.

For example, in Betul, I was welcomed with what the teachers called an *aksharmala* – a garland of alphabets. More imaginative than flowers, undoubtedly cheaper, richer in imagination and handiwork, this *aksharmala* is a dramatic way of showing the importance of education. The *aksharmala* I was given celebrated 50 years of independence. In Raisen, I saw a school in which on one gate – the entrance – was written “Nirakshar Aaiye” –Enter Uneducated; on the other, the exit, was written “Akshar Jayiye” –Leave Literate. How in such remote places have people begun to value education in this way? Everywhere I went, people – panchs, officials,

and others spoke of teachers as *akshar sainiks*. They said every graduating student was also an *akshar sainik*. Clearly, here was a society at war with illiteracy. It was a war being methodically conducted, and the RGSM provided people with ammunition they needed. There was a foundation to build on; and this has to be better understood. The success of the EGS is a symptom of this basic change.

In several areas of Raisen, where the Rajiv Gandhi Watershed Mission was being implemented, the local community chose to use some money made available to them [asthamoola] to put up a school building. I saw some wonderful buildings that came up this way. Local initiative, in linking funds from different projects to maximise local infrastructure in accordance with local priorities, was amazing. I was told this is not an isolated case.

There are positive linkages across different projects at the local level. This is true in both the districts I visited.

First, there was amazing work going on in both districts in the field of primary education. I now believe that access to a school is today not a constraint to education in these districts. There has been a remarkable increase in the number of children attending school – and these are all children who are attending for the first time. Thus, it is additionality, not substitution of children from one school to another¹⁵. This is in itself a remarkable achievement. It is not only the Education Guarantee¹⁶, but also the other components of the primary education system that the RGSM has been working for, that are in place, and function. The teachers, the panchs, the local officials are doing their bit to make the system work. This is an achievement too.

Secondly, the infrastructure for schooling is improving rapidly. Each school is soon to have a building. The 50,000 rupees sanctioned have been well used. Together with local contributions¹⁷, each tola will now have a school building with a minimum of covered space. But, at the rate children are coming to school, there will soon be a shortage of space as well. This will have to be dealt with in the coming years.

Third, the BRCs are working. The facility of a meeting room is being well used, from training to the development of teaching aids, from meetings to share experiences to bringing out newsletters – in which there is an astonishing variety.

Fourth, the system is working as expected. Sankul co-ordinators are doing their jobs. Village Education Committees are meeting. Slowly, parents are beginning to take an interest in the education of their children. The link between the elected representatives – the panchs, and the teachers is working to the benefit of both. The underlying process is a healthy one, fostering learning, not only among the children, but also in all the actors in this complex process.

Fifth, the problems of growth will have to be dealt with. The teachers in the EGS schools and ASs have gained experience. When the state recruited siksha karmis recently, many of them got selected to this better paying post. I met some sarpanchs who were worried about how their school would continue if their teacher went off to become a siksha karmi. Given the vast growth of schools, there is bound to be a shortage of locally qualified people – and the wages rates will increase. This is a problem for the strategic planners in Bhopal to deal with.

Whether it was an inspired choice of people for these projects in these districts, or not, the fact is that the ordinary government machinery is working well. In particular, I think the Gender co-ordinators have done an excellent job. In a quiet way, they have sensitised people to gender issues, to the special problems of the girl child, and this is a remarkable achievement. This augurs well for the future. Perhaps it is the Mission mode of working. I do not know how this was achieved, but there must be lessons to be learned from this – and replicated elsewhere. It will not be easy, for now it will mean institutional changes.

There are differences too in the two districts I saw. For all its distance from Bhopal, Betul felt less remote. The isolation one sensed in Raisen was much more. Betul worked in a systematic, well oiled bureaucratic way. The EGS school buildings¹⁸, for example, were all built to a given design. All the additional rooms looked alike. Local contributions were indeed made in Betul, but the result was an efficient construction within a time frame of building. In Raisen, the contribution from local people was of a qualitatively different nature. I had the feeling it was in some sense deeper. People took more time, but they thought a lot more about what they wanted of their building. Each village in Raisen came up with its own design. In general, the rooms being put up in Raisen were somewhat larger than those that came up in Betul. The money given was the same in both districts. Yet, in Raisen, people put in more, and thus got more for their efforts.

I saw working systems in both the districts. Yet, in Betul, I did not see a stark difference between the EGS school and the AS. For example, the AS worked to the same timing as an EGS school in Betul – the choice was of the local community, but the local community felt a school had to work these hours. In Raisen, the difference was much clearer. The flexibility was used to suit these village conditions. To me this again reflects the deeper involvement of local people in Raisen. If we speak of local contribution and participation, it is there in both districts, but in Raisen it has a depth that should stand it in good stead in the longer run.

As I began to ruminate over what I had seen in those two districts, it became clear that the success I saw was due to the fact that the local people saw education as a desirable thing. They felt they had to take matters into their own hands if education was to be a reality for their children. Being uneducated themselves, they were not in a position to run schools. But they wanted them. And, through their panchayats, they articulated this desire strongly.

The government responded with the guarantee of primary education. The procedure recognised the importance of local self-government institutions, and this to me seems to be the key to what has happened. It is the panchayat that wanted education for the local children. The school became a means for achieving this. The government responded to the request for a school, but the ownership remained in local hands. The guarantee was invoked at the level of the janpad – a level that local people were familiar with. The teacher was a local person. The sarpanch was in charge of the running of the school along with the guruji. The training was locally provided. Support in the form of a Village Education Committee, a sankul committee and a Block Resource Centre meant that the teacher and sarpanch got the backup they needed to run a school.

It may not be wrong to say that **what I saw was, not a successful primary education programme, but a successful case of local self-government, expressed through the response to the long felt need for primary education** in an illiterate society. And if this true, then when the time comes to disband the RGSM, a new institutional structure, drawing upon the strength of the local governments, will have to be devised. A system centralised at the state level will not be able to deliver results in this new reality. This is the challenge now facing the planners in Bhopal.

Local Democracy at Work

Pushpa Dorwe is a sarpanch. She had been active in her village, and, after the panchayat elections, had been elected sarpanch. She is very keen on promoting education. An educated person herself, she has been running literacy classes for women in her village – and continues to do even after her election. On hearing of the EGS, she got the details of the scheme, and followed the procedures to get a school opened in her village. When she heard that I was visiting schools in the area, she made sure I visited her school.

Her activities did not go unnoticed in the village. Some of the panchs got together, and got her defeated in a no-confidence motion. She was forced out of office. She was not discouraged. She fought back, organised, made her political deals, and got re-elected sarpanch when the post came up for re-election. She is the kind of person from whom the political leaders of the future will emerge. While there are people like her around, there is little doubt that panchayati raj will succeed – and not be male dominated either! People like her can be relied upon to develop their areas responsibly.

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¹ Attributed to the demographer, Ashish Bose. The acronym from Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh. The term has become standard coin in Indian discussions – rather like Raj Krishna's ironical "Hindu Rate of Growth", referring to a growth rate of 3.5 % per year.

² It is often forgotten that there is vast difference in the size of the problem between Kerala and MP, for historical reasons. In Kerala the number of illiterates in a district does not exceed 4 digits; in MP it could be seven! Clearly, different strategies will have to be employed in MP to fight illiteracy.

³ This can be seen, for example, in P. Sainath's book, Everybody Loves A Good Drought, Penguin, 1995.

⁴ Ranjana Shrivastva went to Bilaspur; Jyotsna Jha to Shadol. Their findings should complement mine.

⁵ The documentation is excellent – well written, well presented, and eminently readable. See for example the basic papers introducing the EGS by R. Gopalakrishnan and Amita Sharma.

⁶ They are paid a meagre 1,000 rupees per month. The contribution made by these teachers, who work at much lower than market salaries, must be appreciated. Perhaps it is a throwback to the ways of Mahatma Gandhi, now being forgotten elsewhere in India in our rush to embrace the market.

⁷ I am not competent to comment on the many complex issues involved in pedagogy. All I can say is that I saw both teachers and children enjoying themselves in the classroom.

⁸ MP-HDR Office, Govt of Madhya Pradesh, Bhopal: Human Development Report, 1995.

⁹ Clearly, at this point, there was innovative political leadership. I do not know where the idea of the LSA originated – but without political will and support it could not have succeeded as it did.

¹⁰ Described in the several papers of Gopalakrishnan and Sharma referred to above.

¹¹ Community contribution is expected, and has been forthcoming. However, it has not been quantified in money terms. There may thus be a tendency to underestimate it.

¹² Not, I was told, by any means the largest in Madhya Pradesh. Yet, I found it large enough when it came to field work.

¹³ Mr Rai had earlier been Collector of Raisen – he shared his considerable experience of both districts with me.

¹⁴ R. Gopalakrishnan and Amita Sharma in their papers on the EGS speak of a tendency to blame the victim for a shortcoming. Their point is that people had always wanted to send their children to school; it was simply that they did not get the opportunity. Is this specific to MP? I do not know, but without a basic value to education little could have been achieved.

¹⁵ There may be some limited substitution with respect to the so called junior primary schools. Since parents know that they are not likely to be upgraded to higher classes, they seek to move out their children before they reach those classes. But this is only a small part of the total.

¹⁶ It would appear that the Education Guarantee is no longer important – it has been invoked, and access is probably no longer a problem. It has served its purpose. Other things will have to get priority now.

¹⁷ In the EGS schools, the government contributes Rs 500 a month towards the guruji's salary. Panchayats are free to pay more, but few have the resources to do so. The difference between the salary of a siksha karmi – Rs 2,000 per month, I understand, should be accounted for as a contribution from either the guruji or from society. By not including it in the calculations, I feel that local contribution is underestimated.

¹⁸ What was a school building in the districts, I found, was referred to as an EGS shelter in Bhopal. I do not know if this is significant.

7.

By Way Of Conclusion

Which is better, a clock that is right only once a year, or a clock that is right twice every day? "The latter" you reply "unquestionably". Very good, now attend.

I have two clocks: one doesn't go *at all*, and the other loses a minute every day: which would you prefer? "The losing one, you answer, "without a doubt". Now observe: the one which loses a minute a day has to lose twelve hours, or seven hundred and twenty minutes before it is right again, consequently it is only right once in two years, whereas the other is evidently right as often as the time it points to comes round, which happens twice a day.

So you have contradicted yourself *once*.

"Ah, but," you say, "what is the use of its being right twice a day, if I can't tell when the time comes?"

Why, suppose the clock points to eight o'clock, don't you see the clock is right *at* eight o'clock? Consequently, when eight o'clock comes round, your clock is right.

"Yes, I see *that*", you reply.

Very good, then you have contradicted yourself *twice*: now get out of the difficulty as best you can, and don't contradict yourself again if you can help it.

You *might* go on to ask, "How am I to know when eight o'clock *does* come? My clock will not tell me." Be patient: you know that when eight o'clock comes your clock is right, very good; then your rule is this: keep your eye fixed on your clock, and, *the very moment it is right* it will be eight o'clock. "But- -" you say. There, that'll do; the more you argue the further you get from the point, so it will be well to stop.

Lewis Carroll

A reading of the papers in this volume, and observations in the field over the past few years, suggests that decentralisation has become a permanent part of the political structure in India. These bodies face many hurdles. It may be useful to briefly put these points together.

One is the tendency, even in “panchayat raj” mature states like Karnataka, for the state government to set up “autonomous” bodies that by pass panchayats. This practice began before panchayats were put in place. But after they came into being, the tasks of the autonomous agencies were not handed over to these bodies. And new autonomous societies have continued to be set up. Thus, a deliberate process of trying to marginalise PRIs is underway. There is no “kind” way of stating this obvious truth.

Two, there are still many, sometimes within the government system, who refuse to recognise these bodies as part of the “state”—they are seen as people friendly bodies like “NGOs”. This detracts from their legitimate role and function while conceding that [unlike the state government] they are “people friendly”. This is interesting indeed!

Three, reservations have given voice to hitherto disadvantaged groups in these bodies, and they have begun to make use of this opportunity. Some innovative capacity building efforts have been made. But much remains to be done in terms of improving the elected members’ capacity to function fully and effectively in these bodies. This reflects the inequities of our society, though many interpret this as reflecting the inadequacy of the PRI system.

Four, in terms of staff, these bodies have to make do with state government staff on deputation - and these functionaries have their loyalties to the state government, not local bodies. The line departments still exercise decision making power and control over the staff. The PRIs control over staff is very little. In Karnataka - and elsewhere - , repeated amendments have been reducing PRI powers still further. These civil servants refer to the elected members of PRIs as “non-officials”, not as political leaders with authority. The use of this negative term further re-inforces the unstated assumption and belief that what they do is “interfere” in work, that they take “political” and not reason based decisions. It denies to these representatives, by grammar, a monitoring and supervisory role over “officials” who after all are the legitimate representatives of “government”!

Five, politicians who have entrenched themselves at the state and union levels see a threat in the members of panchayats - they have so far been doling out patronage at local levels, and now there are elected persons whose legitimate concern these local matters are. Thus, there is a real, but often unacknowledged, hostility to PRIs at the state level. It is no wonder that state legislatures are ready to pass amendments that curtail the powers of PRIs.

Six, these bodies have so far been unable to tap tax revenues, and the flow of funds to them from higher levels is meagre. Apart from the amounts being small, what they get is irregular, depending upon the ways and means position of the state government. And, it is tied up in schemes - there is very little free money that they can use according to local priorities. Such freedom is usually denied. The PRIs are seen as bodies that must effectively implement the will of the people as represented by the decisions of higher levels agencies.

The result is that local officials no longer feel as sense of responsibility for things that go wrong. These are the responsibilities of “non-officials”!

Seven, these bodies, like the general public, suffer from a lack of information. Members of PRIs know little about the budgets of these bodies, though they are now co-signatories of cheques. They are dependent on officials for information. What they are told, then, depends on the officials. While there are some who keep PRI members fully briefed, there are many who wait to be asked for information. And so the game goes on.

There has been an expectation that decentralisation would reduce corruption in society. The basis for this is not clear, except for a vague belief that “transparency” would have a positive effect in reducing corruption. It is equally possible to argue, a priori, that decentralisation will be corruption neutral: that at best it will re-distribute the points of corruption in society. The net impact could be either positive or negative. This is an empirical matter. It would appear best if corruption were delinked from decentralisation. Corruption has to be tackled as a problem meriting full attention on its own, not as a by-product of decentralisation policy.

To expect much from panchayats in these conditions would be unrealistic. That they had entrenched themselves so well into the political landscape in these hostile conditions within five years is an amazing achievement indeed. It is only now that the conditions in which these bodies are functioning is becoming understood on a larger scale. Along with this understanding come insights into what must be done. These essays hope to contribute to that understanding and debate.

This sense of belonging to the system is not due to the constitutional amendments alone, but also because of the compulsions of development in which benefits of government expenditures were not reaching the people. The amendments have made a great contribution in putting in place the decentralised system consisting of people’s representatives democratically elected. Much however remains to be done. Bihar, for example, has not held elections to panchayats in the 1990s. But, overall, progress has indeed been made in the last decade.

It could also be argued that the constitutional amendments have forced a uniformity on the states that may not be desirable in the long term. Why, for example, should every [large] state have a three tier elected system? In many of the states, there is confusion about the inter-tier allocation of functions over three levels. The scope for experimentation has been reduced by the rigid structure of the amendments. The much lauded Karnataka experiment of the 1980s would not have been possible after the 73rd amendment simply because it was a two-tier system. It is no wonder there are calls for amending the amendments!

In part this confusion is the result of inadequacies in the individuals who have been elected into the different tiers of the system, including the

state and union levels. I am not referring to educational levels. The country has been going through a phase of pork barrel politics. Elected office is seen as an opportunity to enrich oneself. It is seen as making possible the showering of favours and concessions on one's chosen friends. It is seen as a legitimate means of pushing ahead the interests of one kith and kin in an era of caste politics. If an obstacle to one's goals is encountered, the knee jerk reaction is to amend the law to make possible what one wants to do. If a court judgement reverses a particular decision, the knee jerk reaction is to amend the law to nullify the court judgement. This is what politicians at higher levels have been doing, and this is the model that panchayat level politicians base their actions on. As the President of India remarked in a different situation¹, "we have to ask if the constitution has failed us, or if we have failed the constitution".

The fact that decentralisation came to be implemented in the absence of a demand from local levels has meant that people have taken time to get used to this new institution. As the Karnataka case shows, it is only when the 1987 system was destroyed by politicians [like former Chief Minister S. Bangarappa] that the people woke up to their loss - and even then they did not agitate against it because it was not something they had struggled for. Decentralisation has been a gift from above! This is a fact we must remember in any assessment of the system when it comes to issues of people's participation. They have to be convinced that participation is not a waste of time! The difficulty in activating gram sabhas is a case in point.

With all this, both politicians and civil servants have had to deal with new demands on them, and have reacted in different ways. People's expectations were built up, and this resulted in some disappointment when improvements were not immediately seen and experienced. But the changes have had a subtle impact on society. The reservations - of caste and gender - have given a formal voice to groups that never had such opportunities before. Imagine the feelings of pent up rage in the upper caste leaders of a village when a visiting World Bank delegation meets with a woman who is sarpanch because of gender and caste reasons! She may have worked as the servant in the traditional leader's house, but the system has given her a legitimacy that tradition and economic means have kept out of her reach for generations. It is a legitimacy that such delegations recognise when they formally meet with her. It is a sign of the times that such delegations share a cup of tea with her as an equal. To the former dominant leaders this is a reversal of the natural order! They have to live with this and more. These are major changes in our society. And they have to be dealt with in some way. Not much thought has yet been devoted to this type of problem. It will have to be faced sooner than later.

It is obviously unrealistic to expect these groups of people can grasp all the opportunities of such a change immediately. But the reality is that women have not only become visible, but have responded to political space becoming available. Given the lack of experience, the rigid structure of society, the extremely limited training that has been provided, hostility from higher levels of government represented by MLAs and MPs, and a well organised civil service protecting its turf, it is too early to conclude that the experiment has not lived up to expectations. On the other hand, it is amazing how much has been

¹ In connection with the recent debate about reviewing the constitution after 50 years.

achieved under such difficult circumstances by those elected to these bodies in their first term of office.

This is showing up now that elections for the second round of PRIs are coming up. In many villages, there is a search for educated women who can be elected to these bodies. Among the scheduled and backward castes too, the importance of education has taken on a more urgent purpose. Demands for better social services are being voiced. The system coming into place will have to respond to these increased demands. Here lies hope for the system.

But the legal changes brought about are at best a necessary condition for social change: they are by no means sufficient. Much more needs to be done, as the papers in this volume have argued in different contexts. Attention will now have to focus on what the sufficient conditions are, and how to move towards them in a peaceful and democratic way.

What is the role of those who wish to support these institutions? The first round has shown that there are many individuals and institutions that believe in local self government, and are willing to work to make the system a success. The efforts of these bodies, local, regional, national and even international have done a great deal making people conscious of their rights and obligations. These efforts have done a great deal in enabling these people to live up to their responsibilities. These people have, perhaps for the first time, tasted political power. This is an important first step.

While five years ago the need was for orientation programmes to explain the system and the options open, now the need will be for more substantial inputs. Such inputs will be needed both by the elected representatives as well as the civil servants who will have to work with them in a new environment. Officials at local levels will lose authority they have wielded for a long time. They may see decisions by elected representatives as unnecessarily political. This is a difficult matter, for political people will take political decisions, while there is no guarantee that permanent officials will take the right decisions. This is a change that officials will have to accept—and they must continue to advise elected people in a professional way. It will not be easy.

An important element in the success of the decentralised system is the free flow of information. Some states, like Rajasthan, Uttar Pradesh and Madhya Pradesh, have enacted laws on the freedom of information. Both officials and representatives must answer questions from the public. Laws are not enough. Information must become easily available. NGOs will have to do a lot in this field.

People today know what the system is. They have expectations of improvements, and they will make demands on those they have elected. What is needed now is training on how to make the system work. One area of such work has to do with finances: what are accounts? What does double entry book-keeping mean? What is the devolution of funds? What do different formulae for devolution mean? How can panchayats make submissions to the state finance commissions? What is the scope for raising tax revenue? How should people be educated about the need for taxes and user fees? Why are subsidies unsustainable? In what ways should “populist” policies be explained for what they are? And so on. And so on.

There are also issues of choice. How long can a system in which priorities are decided at higher levels continue? Local governments will soon have to confront the state governments. It should be up to local bodies to decide how they will use their money. Why should a remote state government tell them that drinking water is important but anganwadis are not? It should be up to the local people to decide such things, within available resources. But the system today does not permit such priority setting. And this may become a constraint on development that will have to be addressed.

This leads to the next issue. Why should schemes be designed at higher levels and thrust on local bodies for implementation? The entire notion that local bodies must only implement what has been decided above will have to be questioned. Development does not take place via schemes--there are any number of evaluation reports that have shown that most of the schemes have not met their objectives. Why then continue with a system that has shown it cannot work? Whose interests are involved in this?

But if schemes are not to be designed above, then local bodies will need expertise to develop their own schemes. They will need their own staff. State government personnel on deputation may not be best suited for such tasks. Panchayats will need their own staff, under their own control. Thus, in the not very distant future, there will arise a demand for a re-structuring of the way government works. This is a necessary concomitant to the unbundling of the state. Decentralisation is not a one step action. It has dimensions - political, bureaucratic, financial and so on. In all these one will have to come up with new ways of working. What is suitable for one state may not be suitable for another. And what works in one district may not work in another even in the same state. New ways, and new combinations of ways, will have to be tried out. Not all will work - though we will learn something from all such experiments. We should be open to experimentation - and to learn from failures.

New methods of accountability will have to be devised and tried out. Existing methods of accountability will have to be re-vitalised - for example, the gram sabhas. Links will have to be built between different kinds of local bodies - say watershed committees and gram panchayats. There is much to be done at the local level and much to be learned. And the pace of change will become much faster. It will not be easy to absorb all this. Conscious efforts will have to be made by all concerned.

This is the context, in desperate brevity, in which civil society organisations will have to make their inputs. They too will have to change the way they work and respect the wishes of democratically elected bodies. The challenge ahead is strong. Just as government bodies have to change, so have NGOs. It is hard to believe that NGOs today can rise to this without major introspection.

The opportunity to work on the issues discussed in the papers in this volume has opened up for me new dimensions of the development process. There is much to learn and there is much to do. This is a good time to be in this field of decentralisation and panchayati raj.

About the Author

Dr. Vinod Vyasulu was educated in St. Stephen's College, Delhi, the Delhi School of Economics, and the University of Florida, Gainesville, where he earned a Ph.D in economics. He has taught at the University of the Americas, Mexico, the Indian Institute of Management, Bangalore, and held the Reserve Bank of India Chair Professorship in economics at the Institute of Social and Economic Change, Bangalore. He has been Economic Advisor to the National Small Industries Corporation in Delhi, and Director of the Institute of Public Enterprise, Hyderabad. After voluntary retirement in 1994, Dr. Vyasulu has been a consulting economist. He has been Director of the Development Research Foundation of Technology Informatics Design Endeavour, and is currently Director of the Centre for Budget and Policy Studies, an independent, non-partisan, not-for-profit research organisation with a focus on budget analysis in local self-governments.